

Herald Tribune

Published With The New York Times and The Washington Post

Algeria	6.00 Dhs.	Israel	15.00 NIS	Norway	4.00 Nkr.
Andorra	16.66 Dhs.	Jordan	1.00 Dhs.	Portugal	200 Esc.
Belgium	20 Bfr.	Kenya	100 Shs.	Qatar	60 Rials
Canada	1.00 Can.	Laos	200 Kips	Rep. of Indon.	1,000 Rp.
Cyprus	2.00 Cyp.	Libya	1.00 Dhs.	Saudi Arabia	4.00 R.
Denmark	2.00 Dkr.	Malawi	100 Kw.	Spain	166 Ptas.
Egypt	100 P.	Malaysia	1.00 M.	Sweden	4.00 S.Kr.
Finland	6.00 Fmk.	Mexico	20 P.	Switzerland	2.00 Sfr.
France	5.00 F.	Morocco	20 Dirhams	Taiwan	2.00 N.T.D.
Germany	2.00 D.M.	Nepal	100 Rs.	Thailand	5.00 B.
Greece	200 D.	Nicaragua	2.00 C.	Turkey	1.00 L.
Ireland	4.00 P.	Peru	100 S.	U.S.A.	1.00 D.
Italy	2.00 L.	Pakistan	100 Rs.	U.S.A. (Mex. City)	1.00 D.
Japan	100 Yen	Panama	100 B.	Venezuela	200 Bs.

White House Awaits Signal From Moscow for a Summit

By Lou Cannon

Washington Post Service

WASHINGTON — President Ronald Reagan's key advisers are waiting for a positive signal from the Soviet Union that they believe could lead to a summit meeting between Mr. Reagan and the Soviet leader, Yuri V. Andropov, within the next 10 months.

The signal, an administration official said, would have to be "substantive," which he defined as something more than the long-term grain agreement being negotiated with the Russians or the expanded cultural-exchange program under exploration by the State Department.

This official said the Russians could show "genuine willingness"

to improve relations by demonstrating flexibility in the two nuclear arms reduction talks at Geneva or by "stepping back" in Afghanistan.

Baker urges Reagan to talk to Andropov. Page 3.

stan or Poland or easing up on military support for Marxists in Central America.

Although the Soviet Union and the United States have engaged in summit propaganda aimed chiefly at European electorates, the Reagan administration's estimate since President Leonid I. Brezhnev's death in November has been that a summit conference in Mr. Reagan's first term is unlikely and probably undesirable.

But administration success in winning initial congressional approval of the MX missile and in lining up France and Japan behind its planned deployment of medium-range nuclear missiles in Europe has persuaded some presidential advisers that the United States would now enter a summit conference in a position of strength.

Administration officials believe that a summit session must be held no later than the middle of next spring to avoid encroachment with the 1984 presidential election campaign.

Mr. Reagan is described as firmly opposed to having summit talks "just to chat" when there is no likelihood of agreement on important issues. But his advisers said he would be ready to move quickly if the Russians show any sign of wanting to negotiate.

"We are watching very carefully for a sign, and there are those who think that the Soviets may give us one," an official said. "If this happens, the president would be more than willing to meet with Andropov."

The administration may try to finesse a complex and touchy issue when the United States returns to the bargaining table at the strategic arms reduction talks, or START, in Geneva this week.

The new U.S. proposal will call for using warheads as a measure of the nuclear arsenals of the two superpowers, as advocated by the Scowcroft commission in its recent report. Still at issue is whether the new U.S. proposal should deal with the question of throw-weight, the lifting power of nuclear-tipped missiles, in which the Soviet Union has an edge.

Mr. Reagan is reportedly leaning toward a compromise stance in which the United States will express "an implicit recognition" of the importance of throw-weight in defining equality without officially incorporating the issue in the revised U.S. negotiating proposal.

■ Soviet Urges 'Deep' Cuts

The Soviet Union called Monday for deep cuts in long-range nuclear weapons at the new round of START negotiations and said an agreement was "both possible and necessary," United Press International reported from Geneva.

The START negotiations, which began June 30, resume Thursday after a 10-week recess. The chief Soviet negotiator, Viktor Karpov, was said to be sitting and was not with the Soviet delegation on its return to Geneva Monday.

The deputy chief negotiator, Alexei A. Obukhov, said the U.S.S.R. "is strongly in favor of deep reductions in strategic arms in their entirety, in the interests of lowering the level of military confrontation and diminishing the risk of nuclear war."

■ Deal Made on Kohl Trip

Chancellor Helmut Kohl of West Germany is not trying to circumvent the Geneva arms talks by his trip to Moscow next month, a government spokesman said Monday, the Associated Press reported from Bonn.

In a news conference, the spokesman, Jürgen Südhoff, denied press reports that Mr. Kohl hoped for a "signal" or new proposal on disarmament from the Kremlin during his Moscow trip that he could then carry back to the United States. "The location of the negotiations is Geneva, not Moscow," Mr. Südhoff said.



Britain's alliance leaders, David Steel of the Liberals and Shirley Williams of the Social Democrats, meet reporters.

Weinberger Expects NATO to Site Missiles

By Fred Hiatt

Washington Post Service

WASHINGTON — Casper W. Weinberger, the U.S. secretary of defense, says he believes the United States will have to begin deploying intermediate-range nuclear missiles in Western Europe before the Soviet Union will negotiate seriously on mutual reduction of such weapons.

The prediction, which Mr. Weinberger voiced during a dinner at the U.S. Embassy in Oslo Saturday and repeated Sunday during his trip home, was more bluntly pessimistic than his assessments during the rest of his weeklong European trip.

"If we didn't put them in, we wouldn't get any kind of meaningful negotiations," Mr. Weinberger said Sunday. He added, "I hope I'm wrong."

Mr. Weinberger also argued in favor of insisting on throw-weight — the amount of payload a missile can deliver — as a measure of comparison during negotiations with the Soviet Union on intercontinental weapons that are about to resume in Geneva. The Kremlin is almost certain to reject a throw-weight comparison, thus making any agreement on strategic arms unlikely.

Mr. Weinberger agreed that talks would be more difficult because

of throw-weight, a more complex category than simply counting missiles and also a category in which the Soviet Union has a large lead.

"The question is do you simply want something, a piece of paper, that both parties can sign, or do you want something that can improve the situation," Mr. Weinberger said. "I don't think it's going to be easy at all, but that's the price we pay for letting that kind of imbalance open up."

Mr. Weinberger returned from a seven-day trip to West Germany, Belgium and Norway, during which U.S. nuclear policy and European concerns about it dominated many of his discussions with NATO leaders and foreign journalists. He is to attend a National Security Council meeting Tuesday, when President Ronald Reagan is expected to adopt a new position for the negotiations on strategic arms limitation.

The United States is planning to put 572 intermediate-range missiles in five West European nations in what the North Atlantic Treaty Organization says is a response to Soviet deployment of nuclear SS-20 missiles. The U.S. weapons would be mobile, mobile, mobile, West Germany said, capable of reaching Soviet targets in minutes, and 464 slower, cruise missiles, which are low-flying, robot airplanes.

During his trip, Mr. Weinberger was a declaration of continued support from most NATO countries for the missile plan, but opposition parties and anti-nuclear groups in several northern countries have been pressing to keep the missiles out of Europe.

During a brief speech at the home of Mark Evans Austad, the U.S. ambassador to Norway, Mr. Weinberger was pessimistic on an arms control agreement before missile emplacement, a view that some of his aides had stated publicly earlier in the week. He also rejected the "walk in the woods" formula, an informal settlement that was sketched out by the chief negotiators, Paul El Nizze of the United States and Yuri A. Kvititskiy of the Soviet Union.

Although that plan has aroused interest in Europe and in the U.S. Congress, Mr. Weinberger dismissed it. The United States would be allowed 300 cruise missiles but no Pershing. The idea also has been rejected by the Kremlin.



Prime Minister Margaret Thatcher and Employment Secretary Norman Tebbit at a press conference on Monday.

U.K. Alliance May Gain Voters, but Few Seats

By Peter Osnos

Washington Post Service

LONDON — Britain's centrist alliance of Liberals and Social Democrats appears to be making significant gains in popular support as election day approaches, but may still win relatively few places in Parliament.

With Prime Minister Margaret Thatcher's Conservatives on course for victory in Thursday's balloting, most polls show the alliance gaining on the Labor Party in the percentage of votes. It is conceivable that the alliance will achieve the historic breakthrough of overtaking the Labor Party for second place in the popular vote.

Unless the polls are wildly off target, Mrs. Thatcher now appears to be heading for a 2-1 Conservative majority in Parliament over the other parties. The election's big loser appears to be the Labor Party, whose ratings in the polls have dwindled because of campaign gaffes and its extreme leftist platform.

The alliance, with a real chance now of being regarded as Britain's most important new political movement since Labor's emergence at the start of the century, is pleased at its recent surge of support, after a slow start. But it is far from jubilant at the prospect of taking so few seats at the end of the contest.

Under the British electoral system, winning seats is what counts, not the popular vote. Experts said Labor can depend on victory for only about 200 safe seats in Northern England, Scotland and Wales. By contrast, support for the alliance appears to be spread more evenly around the country, with no more than a few dozen seats where victory can be considered likely or certain.

"It is quite possible we could get more votes than Labor and only one-tenth as many seats," Shirley Williams, one of the alliance leaders, said Monday. "Under those conditions we would be morally the opposition," she asserted.

■ Poll Reports Britons Want to Remain in EC

Resters

LONDON — Most Britons would vote to stay in the European Community if a referendum were held on the issue, according to a poll published Monday. A poll in The Daily Telegraph showed a sharp swing in public opinion, with 53 percent favoring continued EC membership, 35 percent wanting to pull out, 8 percent uncertain and the rest declining to answer. Last November, amid a dispute over Britain's EC budget contribution, a similar poll showed only 36 percent wanted Britain to remain membership.

Mrs. Williams said the situation "underlines the monstrous consequences of our electoral system."

One of the main planks of the alliance platform is for proportional representation in Parliament whereby places would be awarded according to the percentage of overall vote rather than seat by seat. Because this would significantly dilute the power of Labor and the Conservatives, it is extremely unlikely they would consider so fundamental a change in the conduct of British politics.

The fact, however, that the alliance appears to be doing well in the campaign should provide it with enough impetus to remain a major new factor in the country after the election. In the 1979 election the Liberals alone received about 14 percent of the votes — a figure that might well be doubled by the alliance, if the polls are correct.

According to Peter Riddell, political editor of the Financial Times, a vote of that size for the alliance would give it about 30 seats out of 650 in Parliament. Ironically, this would be less than the combined total of the two alliance parties in the outgoing Parliament, where the Liberals had 11 seats and the Social Democrats had 29. These Social Democrats were mainly former Labor MPs who defected but kept their seats when the party was established in 1981.

Because so many of the alliance races are bound to be close, it is still possible that Social Democrat leaders such as Mrs. Williams, Roy Jenkins, the party's prime minister designate and David Owen, the deputy leader of the Social Democrats, will be defeated.

The figures so far show that the bulk of the alliance gains are coming at the expense of Labor. The size of the Conservative vote Thursday, analysts said, may not be substantially larger than it was in 1979, but much of the moderate Labor backing will have shifted to the alliance.

Realignments inside Labor are already beginning. The party's internal wrangle over how far to go in adopting a conciliatory defense policy reinforced a sense that Labor remained split in spite of efforts to unite its left and right wings. Labor's most popular figure, Denis Healey, has been criticized for openly defying the party's leader, Michael Foot, on the nuclear issue and then, last week, accusing Mrs. Thatcher of rejoining in the "slaughter" of last year's Falklands war. Mr. Healey later withdrew the remark.

Peter Jenkins, political columnist of The Guardian wrote Monday that Labor "has lost the election. I don't mean simply 'looks likely to be beaten.' I mean lost, deservedly, itself largely to blame."

Nicaragua Expelling 3 U.S. Diplomats

Compiled by Our Staff From Dispatches

MANAGUA — The government announced Monday that it had ordered three U.S. diplomats expelled on charges of plotting "criminal actions" against Nicaragua. An official announcement said the actions included attempts on the lives of Sandinista leaders.

A U.S. Embassy spokesman, Gilbert Callaway, said he rejected the charges. "These accusations are simply absurd, and we are protesting energetically to Nicaragua about the expulsion of our three diplomats," he said.

The three were identified as Linda M. Pfeiffer, an embassy counselor for political affairs; David Noble Greg, a first secretary at the embassy; and Emilia Rodriguez Rodriguez, a second secretary. They were ordered expelled within 24 hours, the government announcement said.

Mr. Callaway said that the three had received notice during the night that they were to be expelled and that they had not yet left the country "because we do not know at what time the Sandinista government started counting the 24 hours."

In Washington, a State Department spokesman said the department rejected the allegations and was protesting the expulsions to Managua. When asked if Washington might expel Nicaraguan diplomats, the spokesman said, "We have under consideration what steps might be appropriate in light of this action."

The Nicaraguan announcement said: "The criminal actions that the diplomats were planning to carry out included the organization of attempts on the lives of leaders of the Sandinista revolution and of high-ranking officials of the Nicaraguan government." In July 1979 the Sandinistas overthrew Anastasio Somoza, the U.S.-backed dictator whose family had ruled Nicaragua for more than 40 years.

The Foreign Ministry accused the three diplomats of having had meetings and clandestine contacts in Nicaragua and outside the country with Nicaraguans, including government officials, "with the object of recruiting them, training them and giving them the means necessary to execute their criminal actions."

The diplomats were also accused of meeting with members of opposition parties, whose activities have been restricted by the Marxist-dominated government.

Managua has accused the Reagan administration of training and arming Nicaraguan exiles based in Honduras to mount border raids in an undeclared war to overthrow the Sandinista junta.

Reagan Names Enders as U.S. Envoy to Spain

United Press International

WASHINGTON — President Ronald Reagan named Thomas O. Enders on Monday to be U.S. ambassador to Spain. Secretary of State George P. Shultz announced May 27 that Mr. Enders was being removed from his post as assistant secretary of state for inter-American affairs.

Mr. Shultz denied the switch represented any change in policy. In a statement Monday, Mr. Shultz said, "I am delighted that Tom Enders will continue his exceptionally distinguished government service."

Mr. Reagan has nominated Langhorne Motley, U.S. ambassador to Brazil, to replace Mr. Enders. A department spokesman would not comment on the future of the current U.S. ambassador to Spain, Terence A. Todman.

PLO Rebels Reportedly Request Election of New Fatah Leadership

New York Times Service

BEIRUT — In a further challenge to Yasser Arafat, rebels in the PLO, the main component of the Palestine Liberation Organization, were reported Monday to have asked for the election of a new leadership.

PLO sources were quoted by the Lebanese daily, an-Nahar, as saying that the rebels had sent a note to Mr. Arafat demanding the formation of a provisional committee to run Fatah's affairs until a new leadership is chosen. They reportedly requested that they be represented equally with Mr. Arafat's supporters in the proposed committee.

The report did not say whether the rebels had asked that Mr. Arafat himself be replaced.

Fatah, the largest of the eight guerrilla factions in the PLO, was founded by Mr. Arafat 18 years ago. He has been chairman of the PLO and commander in chief of guerrilla forces since 1969.

Mr. Arafat, 54, who has turned down all demands by his opponents, has been trying to enlist the assistance of some Arab governments to shore up his position. He held talks with Saudi officials in Jeddah on Monday. Earlier, he met in Algiers with President Benjedid Chadli of Algeria.

Mr. Chami stopped in Damascus on Sunday on his way to Addis Ababa to attend a meeting of the Organization of African Unity. The PLO chairman was reported to hold Syria and Libya responsible

for the split inside Fatah and to want Saudi Arabia and Algeria to use their influence with Damascus to undercut the insurgents.

Mr. Arafat's opponents, who include senior Fatah commanders and political activists, are entrenched in Syria and in Syrian-controlled eastern Lebanon.

Aides close to Mr. Arafat were quoted in the Beirut press as saying that the PLO General Command, a guerrilla group backed by Libya's leader, Muammar Qadhafi, was being used to move Libyan arms and ammunition to the Fatah dissidents.

Truckloads of arms were allegedly sent by that group on Sunday to Abu Musa at a base near Baalbek in Lebanon's Bekaa Valley just across the border from Syria.

Abu Musa is leading the opposition to Mr. Arafat. His men fought a four-hour artillery and rocket battle with Arafat supporters outside Baalbek on Saturday in which eight persons were killed and 17 wounded.

A main section of the Baalbek highway, where several guerrilla bases are located, is still blocked by Syrian troops seeking to head off factional clashes. Three guerrilla groups have also formed a joint committee to keep the combatants separated.

The groups are the Popular Front for the Liberation of Palestine, led by George Habash; the Democratic Front for the Liberation of Palestine; a Marxist group

led by Nayef Hawatmeh; and the Syrian-sponsored as-Saiga.

■ Invasion Remembered

Shops and schools closed Monday in many parts of Lebanon in a protest to mark the first anniversary of Israel's invasion of the country, Reuters reported from Beirut.

Lebanese troops, fearing student disturbances, moved armored vehicles onto the campus of Beirut's American University and barred reporters. University officials said classes were suspended. Lebanese soldiers earlier broke up arguments between students over leftist calls to boycott classes, they said.

U.S. marines, part of a four-nation peacekeeping force in Beirut, reinforced foot patrols in the southern suburbs in expectation of attacks, a marine spokesman said.

An Israeli military spokesman said that rocket-propelled grenades were fired at Israeli positions Sunday night from U.S.-patrolled areas of Beirut, but there were no casualties and the fire was not returned.

The leftist Murabitun Radio reported two more attacks on the Israelis — a car bombing in the town of Nabatieh and an ambush of an Israeli patrol in the south. But the Israeli spokesman said he had no knowledge of any such incidents.

INSIDE

■ Buenos Aires extremists, linked to a growing number of threats, beatings and, in some cases, killings, may undermine national elections scheduled for October. Page 2.

■ A young Pole's grave has become the latest symbol of resentment felt by Poles for their government. Page 2.

■ South Africa's highest-ranking military official discusses plans to prevent the underground African National Congress from intensifying a sabotage campaign. Page 4.

BUSINESS/FINANCE

■ The U.S. dollar jumps against the French franc and the Deutsche mark. Page 13.

■ Norton Simon Inc. is the target of a \$1.65-billion buyout bid. Page 13.

SPECIAL REPORT

■ Egypt's economy. Page 75.

U.S. Scientists Listen In on 'Talking' Trees

Willows, Alders May Use Chemical to Warn of Attacks by Insects

By Thomas O'Toole

Washington Post Service

WASHINGTON — If the National Science Foundation and two scientists it supports with research money are to be believed, trees talk to each other.

At least they do in the woods near Seattle, where Dr. Gordon H. Orians and Dr. David F. Rhoades of the University of Washington have found that the willows and the alders warn each other when they are being attacked by leaf-eating insects.

"I know it sounds like something right out of 'Doonesbury,' but it is definitely a form of communication we've witnessed in dozens and dozens of trees," Dr. Orians said in a telephone interview from his laboratory. "We cannot explain what happened without assuming that trees being damaged by insects release a chemical in the air that warns nearby undamaged trees to prepare a defense against these insects."

About four years ago, Dr. Orians and Dr. Rhoades set out to find how trees survive mass attacks by insects such as tent caterpillars and fall webworms, which are similar to tent caterpillars but which thrive in August and September. Tent caterpillars are most abundant in April and May.

The two ecologists placed swarms of as many as 700 tent caterpillars and webworms in the branches of dozens of willows and alders to see what kinds of defense mechanisms the trees might use against the attack.

What they found was that the trees being attacked began producing chemicals such as alkaloids and terpenoids, which show up in their leaves and make them unpalatable to the leaf-eating insects.

Not only did the leaves suddenly become unappetizing, but they also began to form the proteins that the insects normally thrive on in a way that made them indigestible, causing the insects to starve and even die from protein deficiency.

"The insects would begin to lose all their vitality," Dr. Orians said. "They were suddenly unable to resist the cold at night or ordinary bacteria they could normally ward off with ease."

Even more remarkable was the ecologists'

finding that nearby trees of the same species suddenly began to mount the same chemical defenses even though they had not been invaded by insects. At first, the ecologists thought that the chemical defenses were being transmitted by the damaged trees to the undamaged ones through their roots, but they discovered that this was not the case.

"All the undamaged trees we studied were 30 or 40 meters from the damaged trees — much too far away to have any root connections with the damaged trees," Dr. Orians said. "The only explanation was to be that there is some airborne chemical released by the trees being attacked to warn the nearby trees that an insect attack is under way."

Dr. Orians said he and Dr. Rhoades had been unable to identify the airborne chemical but were about to begin laboratory studies to look for it. With National Science Foundation support, they plan to plant trees in a large greenhouse, attack some of them with tent caterpillars and webworms, and run tubes from the trees under attack to those not being attacked in an attempt to capture the chemicals.

Argentine Extremists Stir Unease As Threats and Killings Increase

By Edward Schumacher

New York Times Service

BUENOS AIRES — Extremist underground groups have been stirring unease here in recent months by resorting to an increasing number of threats, beatings and, in some cases, killings.

An abiding fear is that the emerging violence may undermine national elections scheduled for October by the military government of President Reynaldo B. Bignone. The military, after seven years in power, has promised to step down in January.

The violence remains limited; the capital has a normal police presence in the streets. But the violence appears directed at specific targets.

Many of the victims have been political and human rights activists critical of the government. Most of the rest have been judges and journalists investigating military corruption and the fate of the more than 6,000 Argentines who disap-

peared in the military's campaign against leftist terrorists in the 1970s.

There are no reliable numbers on the threats and incidents. But after more than two years of relative quiet beginning in 1980, the violence began to re-emerge late last year.

The selection of targets would appear to indicate that the violence springs from rightist groups in or close to hard-line factions in the military. The hard-liners reportedly seek to cut off any investigations of the military by the courts, the press or a future civilian government.

Mr. Bignone has declared that the military has no connection with the violence. The government said recently that it had uncovered a plot by exiled leftist Montonero terrorists to assassinate prominent Peronist political and labor leaders.

Angel Federico Robledo, a Peronist presidential aspirant who was one of those purportedly on the Montoneros' death list, said

there were "opposing groups at work, some of whom do not favor the country's return to democracy."

Actions ascribed to leftists, meanwhile, have apparently been limited so far mostly to occasional jamming, with a purported Montonero message, of television broadcasts.

One of the most chilling of the recent violent incidents involved the kidnapping of two leftist Peronist activists from a provincial bar in mid-May. The two, Osvaldo Cambiaso and Eduardo Pereira Rossi, were later found dead. The authorities said Mr. Pereira was a former Montonero and that policemen killed the two in a shootout.

Some journalists who questioned the police account reported that they and their families had been threatened with death.

"The macabre episode we have just experienced shows us that nothing in the past has been resolved," said Raul Alfonsín, a Radical Party presidential aspirant who has been leading in early polls. "This is not a return to the past. It is still the present, and unless some strong measures are taken it will also be our future."

About 20 cases have been reported in the last six months involving the kidnapping of local organizers from different parties for several hours to several days, during which they have been questioned, beaten and some even tortured with electric prods.

Nearly a dozen judges have complained of telephone threats or intimidating visits to their homes, usually related to politically sensitive cases.

Jorge Lanusse, the chief public defense lawyer for the Supreme Court, complained to the police of anonymous threats over his defense of political prisoners and of being followed. His pursuers were arrested, and they turned out to be members of the State Intelligence Service.

Despite the violence, opposition parties continue to plaster posters on walls, and the many candidates vying for a presidential nomination still publicly criticize the government, even accusing it of being responsible for the violence.

In the harshest remarks, Vicente Leonidas Saadi, head of the left wing of the Peronist Party, said that the visit to Moscow last December of Prince Saud al-Faisal, the Saudi foreign minister,

was responsible for their deaths. "There was no question of a shoot-out," he said. "It was plain and simple assassination."

There is no public proof of any of these charges, but the critics say the violence follows the pattern used in the 1970s by undercover military intelligence agents and police groups run by the military.

Andropov Links Baltic To Nuclear-Free Zone

By John F. Burns

New York Times Service

MOSCOW — Yuri V. Andropov, the Soviet leader, Monday renewed a long-standing Soviet proposal for a nuclear-free zone in Northern Europe and said that the proposal could be extended to include the Baltic Sea.

Mr. Andropov, speaking at a banquet for the visiting Finnish president, Mauno Koivisto, said that the Kremlin was ready to discuss with other nations in the area "the question of giving the nuclear-free status to the Baltic Sea."

The occasion for reviving the proposal was a Kremlin dinner honoring Mr. Koivisto after he and Mr. Andropov had signed an agreement extending for 20 years the treaty of friendship and cooperation that has governed relations between Finland and the Soviet Union since 1948. The treaty has been the basis of the generally untroubled relationship between the Helsinki government and adopted toward Moscow.

The Soviet proposal for a nuclear-free zone for the Nordic countries is at least 25 years old but has failed to attract the endorsement of the Danish, Norwegian and Swed-

ish governments, at which it is principally aimed. The Finnish government has supported the idea since Mr. Koivisto's predecessor, Urho Kekkonen, first advanced it in 1963.

In his speech Monday, Mr. Andropov attempted to meet two of the major objections of opponents of the Soviet proposal. One has been that the Soviet formulation did not include the Baltic, which is patrolled by Soviet vessels with nuclear armaments. Another was the absence in the original proposal of any provisions for removing Soviet nuclear weapons from land areas of the Soviet Union adjacent to Scandinavia.

That problem has been dealt with in recent years by saying that the Kremlin was ready to consider other "measures" concerning the nuclear status of its adjacent territory. Mr. Andropov repeated that undertaking Monday and said that such steps might be "substantial," but as before he did not offer any details.

Although it was the first time that a Soviet leader had directly mentioned the Baltic in connection with the proposal, a senior military spokesman, Colonel General Nikolai V. Chervov, said some months ago that if the Baltic were declared a nuclear-free zone, the Soviet Navy would withdraw six missile-carrying submarines that are based there.

Saudi King, in an Unusual Move, Is Reported to Write to Andropov

By Dusko Doder

Washington Post Service

MOSCOW — King Fahd of Saudi Arabia is reported by authoritative diplomatic sources here to have sent a private message to the Soviet leader, Yuri V. Andropov. It is the first known Saudi approach of this kind in decades.

In his message, which is said to have been relayed to Moscow through Kuwait, the king raised the questions of the Gulf war and falling world oil prices, according to Arab diplomats.

It is not known whether Mr. Andropov had responded to the Saudi communication, which is said to have been relayed four to six weeks ago.

The Soviet Union and Saudi Arabia do not maintain diplomatic relations, and their contacts have been confined to annual exchanges of congratulatory telegrams on their respective national days.

Diplomatic analysts in Moscow said that Fahd's message may have been a part of the thaw between the Soviet Union and Saudi Arabia that began with the visit to Moscow last December of Prince Saud al-Faisal, the Saudi foreign minister.

According to political observers in Moscow, the fact that Fahd approached the Russians suggests a significant change in the Saudi attitude toward Moscow. The Russians have repeatedly hinted that they want to establish relations with Saudi Arabia, but the conservative kingdom has refused formal relations with all communist states.

Analysts emphasized that they did not expect the two countries to establish diplomatic relations in the foreseeable future.

Prince Saud, who was a member of an Arab delegation led by King Hussein of Jordan, was accorded a warm reception and a separate meeting with the Soviet foreign minister, Andrei A. Gromyko. He was the first Saudi official to come to Moscow since 1932, when his father, Prince Faisal, who was later king, made an official visit.

Fahd's message also followed a decision by the Organization of Petroleum Exporting Countries, of which Saudi Arabia is a leading member, to establish "links" with Moscow in an effort to stabilize the world oil markets.

The Soviet Union, which is the world's largest oil producer, has been selling its crude in the Rotterdam spot market at prices below the OPEC price of \$29 per barrel, thus undercutting competitors in a falling market.

There was speculation in Moscow that the Saudi approach was a member of the pro-Syrian National Progressive Social Party. A man claiming to be a member of the same party confessed to the assassination of President-elect Bashir Gemayel Sept. 14.

The confession raised questions because Syria and Libya are on good terms, which was reaffirmed by a meeting between the Libyan leader, Colonel Muammar Qadhafi, and President Hafiz al-Assad of Syria last week.

Another claim of responsibility was telephoned to the Agency France-Press office in Beirut by a man saying he represented the Islamic Struggle Organization, the group suspected in the bombing of the U.S. Embassy in Beirut April 18. The Underground Front for the Liberation of Lebanon from Foreigners also claimed it had gunned down the diplomat.

Police sources said the gunman fired six bullets into Mr. Chikha after following him to the hotel, where the diplomat has lived for the past 18 months.

Mr. Chikha, 56, was Libyan ambassador to Lebanon between 1973 and 1976, when he was named ambassador to the United Arab Emirates. He returned to Beirut in 1978 as chargé d'affaires.

The witness said the assailant was a member of the pro-Syrian National Progressive Social Party. A man claiming to be a member of the same party confessed to the assassination of President-elect Bashir Gemayel Sept. 14.

The confession raised questions because Syria and Libya are on good terms, which was reaffirmed by a meeting between the Libyan leader, Colonel Muammar Qadhafi, and President Hafiz al-Assad of Syria last week.

Another claim of responsibility was telephoned to the Agency France-Press office in Beirut by a man saying he represented the Islamic Struggle Organization, the group suspected in the bombing of the U.S. Embassy in Beirut April 18. The Underground Front for the Liberation of Lebanon from Foreigners also claimed it had gunned down the diplomat.

Police sources said the gunman fired six bullets into Mr. Chikha after following him to the hotel, where the diplomat has lived for the past 18 months.

Mr. Chikha, 56, was Libyan ambassador to Lebanon between 1973 and 1976, when he was named ambassador to the United Arab Emirates. He returned to Beirut in 1978 as chargé d'affaires.

Syrian Agent Arrested In Attack on Libya Aide

United Press International

BEIRUT — Libya's chief diplomat in Lebanon was shot and critically wounded here Sunday, and a Syrian agent arrested several hours later confessed to the shooting, saying it was meant to stir up trouble on the first anniversary of the Israeli invasion of Lebanon, police sources said Monday.

The Libyan chargé d'affaires, Abdel Kader Ghoulia, was listed in stable condition in the intensive-care unit of the American University Hospital of Beirut with six bullet wounds from the attack at a West Beirut hotel, his doctor said Monday.

Yahoussein police arrested Khaled Osman Alwan, 21, in a raid on his home early Monday morning after a witness to the 11:30 P.M. shooting at the Napoleon Hotel identified the gunman as a former friend.

"The Syrians wanted me to do it because they wanted to stir trouble," police quoted the attacker as saying during an interrogation Monday.

The witness said the assailant was a member of the pro-Syrian National Progressive Social Party. A man claiming to be a member of the same party confessed to the assassination of President-elect Bashir Gemayel Sept. 14.

The confession raised questions because Syria and Libya are on good terms, which was reaffirmed by a meeting between the Libyan leader, Colonel Muammar Qadhafi, and President Hafiz al-Assad of Syria last week.

Another claim of responsibility was telephoned to the Agency France-Press office in Beirut by a man saying he represented the Islamic Struggle Organization, the group suspected in the bombing of the U.S. Embassy in Beirut April 18. The Underground Front for the Liberation of Lebanon from Foreigners also claimed it had gunned down the diplomat.

Police sources said the gunman fired six bullets into Mr. Chikha after following him to the hotel, where the diplomat has lived for the past 18 months.

Mr. Chikha, 56, was Libyan ambassador to Lebanon between 1973 and 1976, when he was named ambassador to the United Arab Emirates. He returned to Beirut in 1978 as chargé d'affaires.

The witness said the assailant was a member of the pro-Syrian National Progressive Social Party. A man claiming to be a member of the same party confessed to the assassination of President-elect Bashir Gemayel Sept. 14.

The confession raised questions because Syria and Libya are on good terms, which was reaffirmed by a meeting between the Libyan leader, Colonel Muammar Qadhafi, and President Hafiz al-Assad of Syria last week.

Another claim of responsibility was telephoned to the Agency France-Press office in Beirut by a man saying he represented the Islamic Struggle Organization, the group suspected in the bombing of the U.S. Embassy in Beirut April 18. The Underground Front for the Liberation of Lebanon from Foreigners also claimed it had gunned down the diplomat.

Police sources said the gunman fired six bullets into Mr. Chikha after following him to the hotel, where the diplomat has lived for the past 18 months.

Mr. Chikha, 56, was Libyan ambassador to Lebanon between 1973 and 1976, when he was named ambassador to the United Arab Emirates. He returned to Beirut in 1978 as chargé d'affaires.

The witness said the assailant was a member of the pro-Syrian National Progressive Social Party. A man claiming to be a member of the same party confessed to the assassination of President-elect Bashir Gemayel Sept. 14.

The confession raised questions because Syria and Libya are on good terms, which was reaffirmed by a meeting between the Libyan leader, Colonel Muammar Qadhafi, and President Hafiz al-Assad of Syria last week.

Another claim of responsibility was telephoned to the Agency France-Press office in Beirut by a man saying he represented the Islamic Struggle Organization, the group suspected in the bombing of the U.S. Embassy in Beirut April 18. The Underground Front for the Liberation of Lebanon from Foreigners also claimed it had gunned down the diplomat.

WORLD BRIEFS

Iraq Warns It Will Strike Tankers

MANAMA, Bahrain (AP) — Iraq warned Monday it would launch more forceful strikes against ships calling at Iranian ports and said it would not bear any responsibility for oil pollution from tankers sunk by its planes.

In a memorandum to the Kuwait-based Regional Organization for the Protection of the Marine Environment, the head of Iraq's environmental agency also said that Iraq would not bear any cleanup costs within the organization as a result of the possible "hitting of Iranian oil wells or installations."

The warning, circulated by the Iraqi news agency, was issued as Gulf environmental officials said they expected seasonal southwest winds to start blowing the main body of a huge Iranian oil slick toward the coasts of Saudi Arabia, Bahrain and Qatar.

U.S. Nuclear Waste Plan Upheld

WASHINGTON (UPI) — The U.S. Supreme Court Monday unanimously reversed a lower court and upheld the government's controversial assumption that no dangerous radioactive waste will escape from eventual permanent storage sites for used nuclear fuel — sites that must remain isolated for 250,000 years.

The decision overturned a ruling last April by the Court of Appeals for the District of Columbia, which directed the Nuclear Regulatory Commission to consider the environmental impact from disposal of nuclear waste before licensing power plant reactors.

Writing for the court, Justice Sandra Day O'Connor said the regulatory agency's zero-release assumption for hypothetical leaks in storage mines is neither arbitrary nor capricious, and follows requirements of environmental laws.

U.S. Set to Buy Dioxin-Hit Town

EUREKA, Missouri (AP) — City officials in Times Beach, Missouri, have agreed to take title to the dioxin-contaminated town, clearing the last legal hurdle before the U.S. government begins a \$33.5-million purchase of the community, which is nearly deserted.

The government action marks the first time an entire U.S. town has been condemned and purchased because of hazardous waste. The purchase plan, announced in February by the Environmental Protection Agency, had been stymied by a disagreement over who would take title to the town.

Dioxin was in oil sprayed on Times Beach roads in the early 1970s to help control dust.

Debt Written Off, China Joins ILO

GENEVA (Reuters) — China returned to the International Labor Organization on Monday following a vote to write off a debt of \$36 million in unpaid contributions.

China was represented by Taiwan from 1949 to 1971, but Beijing's claim to the seat, recognized by the United Nations in 1971, was made only last August when the ILO annual conference decided to readmit China.

Jean-Jacques Oechslin, an employers' spokesman, protested that there was no legal basis for writing off China's debts, particularly while poor countries, such as Chad, got no debt relief.

Russian Disputes Figures on Jews

MOSCOW (AP) — A member of the Soviet Union's newly founded Anti-Zionist Committee indicated Monday that Jewish emigration would stay at its present record low levels because most Jews "who want to leave have left the country."

Replying to a Western reporter's question, Samuel Ziv, deputy chairman of the committee and a prominent Soviet lawyer, dismissed Western and Israeli figures showing that scores of thousands of Jews still want to leave the Soviet Union as "a specially designed campaign" aimed at painting the Soviet Union in a bad light. The Anti-Zionist Committee was set up six weeks ago in response to an appeal by a group of prominent Soviet Jews.

Last year 2,688 Jews left the Soviet Union, according to the New York-based National Conference on Soviet Jewry, compared with a high of 51,320 in 1979.

Veterans and Envoys Mark D-Day

CAEN, France (UPI) — Several hundred veterans joined ambassadors of Western nations Monday in ceremonies marking the 39th anniversary of D-Day, when the Allies landed on the beaches of Normandy, organizers said.

Veterans from France and other Allied countries paid tribute in the morning to soldiers who died in the landings. The veterans attended a service at the cathedral in Bayeux, five miles (eight kilometers) inland, and Western ambassadors laid wreaths at the British cemetery in the town.

Raymond Triboulet, the first prefect to be named after de Gaulle's return to France, said Monday, "When this anniversary is commemorated, it is Western public opinion as a whole that relives a glorious but bloody military exploit and seeks to understand the lessons to be drawn."

Greens Ask German Missile Vote

HANNOVER, West Germany (AP) — The anti-nuclear Greens party has called for a national referendum on whether the North Atlantic Treaty Organization should deploy new missiles in West Germany later this year.

The Greens, originally formed as an environmentalist party, have vowed to stop deployment of the nuclear missiles through political opposition, protest marches and hunger strikes if necessary.

There was some debate on the issue Sunday at the close of a two-day party convention, with one faction arguing that if the voters approved the deployment it would leave little room for further efforts.

200 Flee High-Rise Fire in India

NEW DELHI (UPI) — A fire at a 13-story office building here Monday trapped 200 people temporarily and killed a fireman who was battling the blaze with ineffective equipment.

Many of the office workers stranded on the roof climbed to safety across ropes strung to a neighboring building while others braved smoke to flee through the ground-floor exits.

Firemen were hampered in the rescue operation because water from their hoses reached only to the seventh floor and ladders reached only the 11th floor.

Syria Rules Out a Visit by Shultz

DAMASCUS (AP) — Culture Minister Najah Attar said Monday that Syria would not receive Secretary of State George P. Shultz if he visited the Middle East and that not even war would bring Syria to evacuate its troops from Lebanon.

The minister, in a lengthy commentary published in the daily newspaper Tishrin, said that the government would negotiate the withdrawal of Syrian troops from Lebanon only if the Lebanese government abrogated its troop withdrawal agreement with Israel.

Mrs. Attar said that people were "only fooling themselves" if they thought Mr. Shultz would be welcome when Philip C. Habib, the U.S. special representative in the Middle East, had been rejected. Syria announced earlier that it would not receive Mr. Habib if he planned to visit Damascus to discuss the evacuation of Syrian troops.

Chadian President Offers Amnesty

NDJAMENA, Chad (AP) — President Hissène Habré proclaimed a general amnesty Monday for all political opponents in exile, to mark his victory a year ago in Chad's civil war.

In a radio address, the president said the amnesty was "total and unconditional" and aimed at national reconciliation following 18 years of almost continuous civil war.

He made no reference to the Libyan-backed forces of the former president, Goukouni Oueddei, who are fighting Mr. Habré's army in northern Chad in an attempt to reconquer Ndjamena. But he denounced the Libyan government of Colonel Muammar Qadhafi as "a bloodthirsty, terrorist regime seeking to transform Chad into a powerful bridgehead for destabilizing all neighboring countries."

For the Record

MADRID (Reuters) — Prime Minister Felipe Gonzalez returned Monday from a five-nation tour of Latin America, saying his visit had strengthened Spain's political, economic and cultural links with the area.

TOKYO (UPI) — Thousands of marines will storm the beaches of Okinawa Tuesday in the largest U.S. war games in Japan since 1979. The exercise will involve 30,000 troops, 250 planes and 20 ships, officials said.

CAPE TOWN (Reuters) — A black trade unionist, Oscar Mpehla, was found guilty Monday of terrorist activities but cleared of two charges of murder after a trial that lasted more than two years. Mr. Mpehla, 73, was accused of inciting violence in which two whites were killed at a black township near Cape Town in 1980.

Best
TAX-FREE
EXPORT PRICES
ALL PERFUMES • COSMETICS
BAGS • SCARVES • TIES
FASHION ACCESSORIES
MICHEL SWISS
16, RUE DE LA PAIX
PARIS
2nd Floor Elevator
FLAWLESS JEWELRY ORDER DEPARTMENT
FREE SAMPLES
Phone: 251.71.71

IT'S NEW YORK
It's the very heart of Manhattan. Broadway, Lincoln Center, Fifth Avenue, Central Park. Right where you want to be. Our staff speaks your language. Our special services for international guests help you to enjoy it all. And our rooms offer you many comforts that you deserve. Call Hilton Reservation Service or your travel agent, or write for our brochure, 1335 Avenue of the Americas at 54th Street, New York 10019, (212) 586-7000. Telex: NYHUR 238492. CABLE: NYHILTEL

THE NEW YORK HILTON
AT ROCKEFELLER CENTER

BERNARDAUD
ERCUIS
Paccarat

The Club Paradis de la Table is a luxury emporium on two floors, where, in a setting worthy of the best houses, you will find the elegant tableware you seek to grace your table.

CLUB PARADIS DE LA TABLE
38, rue de Paradis 75010 Paris Tél. 246.90.61

SALES
NINA RICCI
BOUTIQUE
39, avenue Montaigne
17, rue François I^{er}
Wednesday 8th,
Thursday 9th
and Friday 10th June
from 10.00 a.m.
to 6.30 p.m.

School Bus Crash in U.K.
The Associated Press
CULLOMPTON, England — A van collided Monday with a bus carrying schoolchildren on a vacation in France, killing a woman teacher and injuring 43 persons, most of them children.

UNIVERSITY DEGREE
For Life, Accredited & World-Recognized
You may qualify to receive a BACHELOR'S DEGREE OR DOCTORATE
Send detailed resume for a free evaluation.
PACIFIC WESTERN UNIVERSITY
2000 Wilshire Blvd. (Rt. 101), Suite 100, Los Angeles, CA 90060

ION
Sheraton
Sty

6075-2800
01-836-6411

D BRIEFS

Will Strike Tank

— The...
— The...
— The...

ate Plan Uphe

— The...
— The...
— The...

Dioxin-Hit To

— The...
— The...
— The...

ff. China Joins

— The...
— The...
— The...

Figures on J

— The...
— The...
— The...

vov. Mark 44

— The...
— The...
— The...

an Missile Ve

— The...
— The...
— The...

se Fire in Ind

— The...
— The...
— The...

Visit by She

— The...
— The...
— The...

Offers Ann

— The...
— The...
— The...



VICTIMS REMEMBERED — A Salvadoran farmer mourns at the grave containing the bodies of two relatives killed by guerrillas at Tenancingo.

Baker Urges Reagan To Talk to Andropov

By David Treadwell
Los Angeles Times Service
WASHINGTON — The Senate majority leader, Howard H. Baker Jr., says he is opposed to sending U.S. troops to Central America because the conflict there "will be decided in Moscow and Washington" and not in San Salvador and Havana.
In a television interview Sunday, the Tennessee Republican urged President Ronald Reagan to engage in a "meaningful conversation" with the Soviet leader, Yuri V. Andropov, about Central America and arms control, saying that the two leaders "owe the obligation to the rest of the world to get together and to get to know each other."
The Republican leader said he felt that a meeting between Mr. Reagan and Mr. Andropov was inevitable and that "it's maybe once again a time of opportunity for us to know Andropov at a time before the power structure is fully set" in the Soviet Union after the death of Leonid I. Brezhnev.
At the same time, Senator Baker said he opposed withdrawing the assistance the United States is providing to El Salvador in the form of military trainers and logistical support, declaring that "it would be unconscionable if we did anything else." He added that the United States should perhaps send additional U.S. trainers to El Salvador.
"We simply cannot stand by and

Salvadorans Doubt Elections Can Be Organized This Year

By William D. Montalbano
Los Angeles Times Service
SAN SALVADOR — Citing economic and organizational problems, Salvadoran political leaders say that it is unlikely that a national election can be held here later this year as the United States would like.
In interviews, leaders of major parties said that a working consensus for an election to be held in November had dissolved and that next March seemed a more realistic date.
Ricardo Maida, a nonpartisan lawyer who is the new head of the Central Election Commission, broke the news Friday to the U.S. special presidential envoy, Richard R. Stone.
"I told him we can't get truly started without money, and that it will take six months to organize the election well once we get it," Mr. Maida said. "It would be fatal to do it poorly. Stone promised me that the money will be forthcoming."
Earlier this week, U.S. Ambassador Deane R. Hinton spoke of an election in "six to eight months." If the election cannot be held in early November, the preferred date among Salvadorans is March, because in the intervening months cash crops of coffee, cotton and sugarcane are harvested amid large-scale movements of workers.
An early, broad-based national election for president is the centerpiece of U.S. policy in El Salvador.

Mr. Stone's mandate is to encourage participation by the insurgents. They have refused overtures, citing a lack of guarantees and the refusal of the Salvadoran government to negotiate without prior conditions.
The Reagan administration believes that the election will demonstrate El Salvador's commitment to democratic reform and isolate guerrillas who refuse to participate. The Salvadorans had originally wanted the election next March, two years after a massive vote for a Constituent Assembly that has proved the most conspicuous success of U.S. foreign policy here.
On a visit last spring before being named to his current post, Mr. Stone pressured interim President Alvaro Magaña into announcing that an election would be held before the end of the year.
"The Americans pushed to advance the date and offered all sorts of help — but it has been slow in

coming," Julio Rey Prendes, secretary-general of the Christian Democratic Party, said. "There was an agreement for the elections on the second Tuesday in November, but I don't see how we can make it. I'm afraid there will be no elections until March."
Hugo Barrera, secretary-general of the rightist Republican National Alliance, which is the Christian Democrats' most important rival, said: "The electoral machinery hasn't even started and we don't know why. A lot of things are not clear yet but it is certainly doubtful there can be elections in November as we had hoped."
Hugo Carrillo, the first vice president of the Constituent Assembly and a spokesman for the Party of National Conciliation, a moderate rightist group, said that insufficient time remained to schedule the election before the end of the year and that his party preferred March.

Both the nature and the scope of the election are still in question. While the United States is principally interested in the domestic and international impact of electing a president, the parties themselves are as concerned with their internal standing.
There are even divisions within individual parties over whether the election should include voting for national legislators and mayors, Mr. Prendes said.

Cuba, Denying Rights Violation, Reports Sabotage Ring

By Edward Cody
Washington Post Service
HAVANA — The affair started with an obscure report that five Cubans were condemned to death for trying to start a Solidarity-style independent labor union.
Three months later, it remains unclear what happened to the five Cubans, but in the meantime President Fidel Castro's government has been pushed into a startling admission that a major anti-government sabotage ring has been burning Cuban fields and shops.
The United States, in attempting to make the case a human-rights issue, suffered an embarrassing demonstration of its isolation among its allies diplomats in Havana.
However, the Cuban government later felt compelled to make the extraordinary admission that sabotage continues in the Cuban countryside more than 24 years after the revolution, perhaps a more significant point than the original reports of independent union agitation.
At first, the most reliable reports indicated a labor disturbance broke out in January at a sugar factory in Artemisa, 30 miles southeast of Havana, after a driver was dismissed. A truck and perhaps a factory occupation ensued, and somebody may have shouted about a new union during a confrontation with police. There were reports of death sentences.
The chief of the U.S. interests section in Havana, John Ferch, called ambassadors from a dozen U.S. allies to a meeting in the former U.S. Embassy that rises prominently on a square just off Malecon Boulevard along the Havana seaside.
With their diplomatic cars

parked visibly in the square, Mr. Ferch said he was seeking their advice and association for a diplomatic representation to the Cuban government over the reports. Nobody agreed to join in, according to participants, and nobody thought it was a good idea for the United States to go ahead alone.
One European ambassador reportedly walked out before the meeting was over, eager to dissociate his government from the whole idea. Others complained that Cuban officials might conclude from the cars gathered around the U.S. building that European allies already were part of the American plan.
"Join with the United States for a demonstration here!" asked a European diplomat. "It was madness, a stupidity."
Mr. Ferch nevertheless made

unilateral representations to Ricardo Alarcon, the deputy foreign minister, during the third week of April. Italy reportedly brought up the subject in Rome, and the French ambassador, Pierre Descamps, warned Cuban officials that journalists in town with a visiting French minister would probably be asking about it.
About a week after Mr. Ferch saw Mr. Alarcon, the original charges were picked up and amplified by the International Confederation of Free Trade Unions in Brussels. The group, the major anti-Communist labor federation, said the five death sentences had been committed to 30 years in prison, but four Cuban lawyers were arrested for defending the suspects too vigorously.
This apparently prompted the Cuban government to reply. Vice President Carlos Rafael Rodriguez told visiting French reporters that the five had never been condemned to death, nor had they tried to form a new union and that the lawyers were arrested in a separate case.
Then came a more startling revelation: Roberto Veiga, secretary general of the Cuban Workers Central, wrote on May 13 to the Communist-oriented World Federation of Trade Unions in Prague that the real number of those jailed was 33 and others had been arrested. The 33 were convicted of "numerous and continuous acts of sabotage" and "preparation for large-scale acts of sabotage" and "preparation of assassination attempts against the country's leaders," he added.
"Thus there is not the slightest case of violating human rights, and even less a case of violating union rights," Mr. Veiga contended.

With Pan Am it's just a few easy steps to over 40 U.S. cities.



Catching a Pan Am connection at New York is really rather simple.



Because the Pan Am Worldport® is the only terminal with international and domestic flights under one roof.



So as your next gate is so near, you may like to include some refreshment on your itinerary.



Then you just stroll onto the plane, because your boarding pass will already have been issued.

LONDON

Sheraton Style

Superbly located for business and pleasure in the heart of Knightsbridge, overlooking Hyde Park. Sheraton's high standard of personalized service will make your visit an unforgettable experience.

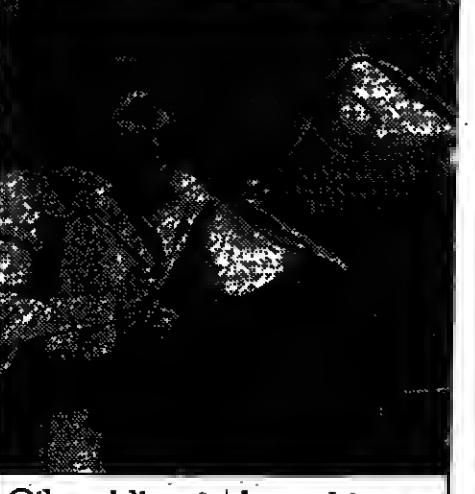
For reservations and information call
6-079-2800 **0611-295306**
in Paris in Frankfurt
01-636-6411 **185063**
in London in Munich

Or call your local Sheraton Hotel or Reservation office, or your travel agent.

Sheraton Park Tower

101 Knightsbridge, London SW1X 7PN
Tel. 01-235-8050 Telex 917222

Not so with other airlines.



Other airlines make catching a connection a lot more involved.



You arrive at one terminal, then you have to struggle to another for your domestic flight.



Which usually means waiting for a bus or cab to take you round the airport.



Of course if you want to miss out on scenes like this, fly Pan Am. The experience is somewhat different.

Under one roof you can connect to all these Pan Am cities.

- | | | | | | | |
|------------|----------------------|--------------|----------------------|---------------|----------------|-----------------|
| Boston | Dallas/Ft. Worth | Honolulu | Los Angeles | New Orleans | Rochester | Tulsa |
| Buffalo | Detroit | Houston | McAllen | Oklahoma City | San Francisco | Utica/Rome |
| Chicago | Ft. Lauderdale | Indianapolis | Miami | Orlando | Seattle/Tacoma | Washington D.C. |
| Cincinnati | Hollywood | Ithaca | Minneapolis/St. Paul | Philadelphia | Syracuse | West Palm Beach |
| Cleveland | Hartford/Springfield | Kansas City | | Pittsburgh | Tampa/St. Pete | |

For further details call your Travel Agent or your nearest Pan Am office.

Pan Am. You Can't Beat the Experience.™



South African General Says Diplomatic and Military Moves Can Block Sabotage

By Joseph Lelyveld
New York Times Service

JOHANNESBURG — South Africa's highest-ranking military official says he believes it will be possible to prevent the underground African National Congress from intensifying a sabotage campaign in South Africa by shutting the group's military wing out of neighboring black nations.

The official, General Constand Viljoen, the chief of the Defense Force, said this isolation could be accomplished through military and diplomatic pressure.

"They will be able to have single incidents, but they will not be able to sustain a high intensity of operations for a long time," the general said.

General Viljoen's assessment of the security situation in the aftermath of the car bomb explosion two weeks ago that killed 19 persons and wounded nearly 200 came in an interview at military headquarters in Pretoria, about half a mile (a kilometer) from the scene of the blast.

The 49-year-old officer, who has commanded his coun-

try's armed forces for nearly three years, indicated that the test for the relations South Africa wants with its neighbors appeared to be their attitude to the African National Congress. Asked if the movement would be stopped dead in its tracks if its military wing were effectively barred from neighboring black nations, he replied: "I think so. Oh yes. I wouldn't say dead in its tracks, but they would just not be able to operate. If we deny them bases in all our neighboring states, either through the cooperation of the states themselves, which we hope will be possible, or by means of military action against their bases, then they have only two ways to come in, by air or by sea. It makes it almost impossible for them."

There seemed to be an undertone of fervor in his voice whenever he returned to the theme that the Soviet Union was responsible for all the major conflicts southern Africa has seen in the last decade, including the collapse of colonial Portuguese rule in Angola and Mozambique as well as the fall of the white minority regime in Rhodesia, now Zimbabwe.

Consistent with his thesis that the Russians had "hi-

acked" the region's "freedom movements" — a descriptive term he used without apparent self-consciousness — General Viljoen said that he interpreted the car bomb explosion as a "stepping up of the initiative of the Russians in southern Africa."

He readily acknowledged that the authorities, who years ago started branding the underground activists as "terrorists," had been "surprised" by their readiness to risk high civilian casualties in their attack outside an office building in the center of Pretoria that housed the air force command.

"We didn't expect them to really go to such indiscriminate bombing as they did in the case of the car bomb," he said, saying that the armed forces "will certainly not present the same concentrated number of soldiers in such a position again." Asked what proportion of the casualties had been associated with the armed forces, he replied, "Well, it's very close to half."

In a statement from his office in the Zambian capital of Lusaka on the day after the explosion, the African National Congress said it would continue to strike at "those

who have chosen to serve in the enemy's forces of repression."

General Viljoen was skeptical of the movement's ability to carry out that threat. "I think one of the main problems of the ANC is that of coordination," he said. "When they send teams in, they don't tell them about the other teams; they don't have contact inside the country between teams."

But he did not attempt to minimize the damage the sabotage campaign has done in 80 attacks, by his tabulation, since the start of 1981. "They have gained success in that it certainly is expensive," he said.

The explosion, he maintained, supported South Africa's charge that the African National Congress has links to "other international terrorist organizations." For evidence, he mentioned documents the Israelis unearthed in the Lebanese city of Tyre during their invasion last summer. "There was some contact — I wouldn't say training — but surely some contact in briefing and advice given by the PLO to the ANC," the South African commander declared.

For all his stress on Soviet manipulation of the region's conflicts, General Viljoen was prepared to concede that black movements, including the African National Congress, had their own aspirations. "I always say that our security problem has two legs," he remarked, "one leg being the black nationalist problem and how we are going to deal with this." That was a matter for the politicians, he indicated, adding in an apparent reference to the nervousness of the white electorate, "The democratic system is a slow system."

"The other leg is the Communists, mainly the Russians, and I think that is the dangerous one," he went on.

As many Afrikaners in power do, the general based his judgment of what the region's blacks really want on his own childhood experiences on a farm. "I've played with them as a child," he said. "I've grown up with them, I still like them. I get along with them. No problems. And I firmly believe that our black people and the black people of Africa are not Communist-inclined nor Marxist-inclined."

U.S. Legislators Find It's the Time To Come to Aid of Their Parties

By Steven V. Roberts
New York Times Service

WASHINGTON — Congress has started its busiest period of the year, and what happens on Capitol Hill between now and the July 4 holiday could well determine the issues that dominate the rest of the congressional session, and the election campaign next year.

The Democratic leadership in the House moved swiftly last week to pass two appropriations bills, the first installment on the 13 spending measures that allocate operating funds for the government every year.

These leaders said they intend to pass at least six more appropriations measures before the Independence Day recess. In so doing, they hope to portray the Democrats as an efficient and responsible party, and to forestall potential criticisms from the White House.

"We don't want the Republicans to be in a position to say that we

didn't get our legislation through," said Representative Thomas P. O'Neill Jr., Democrat of Massachusetts, the speaker of the House.

The Republican strategy is blurred at the moment by divisions within the party. President Ronald Reagan and his conservative allies would like to forgo any more compromises on the budget or the appropriations bills and simply veto many of the measures that reach the White House.

That way, they believe, the president will come off as a strong leader fighting for fiscal responsibility, while the Democrats will appear to be returning to their old "tax and spend" ways.

Republicans hold a majority in the Senate, and any veto is likely to be sustained there. In the House, Representative Phil Gramm of Texas, a leading Republican conservative, said that efforts were under way to organize 146 Republicans, the number needed to sustain

any presidential veto. The Republicans have 167 of the 435 seats in the House. A two-thirds majority is needed to override a veto.

Representative Gramm said the president is "ready for battle and so am I."

But Republican moderates insist that their party has a responsibility to seek compromises on these fiscal issues and take on the often messy burden of running the government, even if it means working with the Democrats and ceding some partisan political advantage.

Despite these differences, almost everyone on Capitol Hill seems to agree that political calculations are quickly coming to dominate the legislative process, and that the lawmakers have very limited time left to fashion a fiscal blueprint in some atmosphere of cooperation.

"From September on, it will be all political," said Representative Trent Lott of Mississippi, the Republican whip.

The gathering battle over domestic policy will be fought over the budget, which encompasses both spending and taxes. The House passed a Democratic plan in March calling for spending of \$363.3 billion and a deficit of \$175.5 billion. Domestic spending was \$33 billion more than the president's request, while military outlays would rise 4 percent on top of inflation, compared with Mr. Reagan's mark of a 10-percent increase in real spending. In addition, the budget envisioned \$30 billion in new revenue, while the president wants virtually no new taxes.

The Republican leadership in the Senate could not muster a majority for its own budget, so a bipartisan coalition of 21 Republicans and 29 Democrats adopted a plan last month that proposes a 6-percent real growth in the Pentagon budget, \$12.6 billion in additional domestic spending, and \$9 billion in taxes. The deficit is projected at \$178.6 billion.

Conferees will start reconciling differences this week on the budget, which sets spending targets for the fiscal year beginning Oct. 1. The real question is whether centrists in both parties can come to an agreement, or whether they will be pulled apart by more extreme views on both sides.

House Democrats are already drafting a plan that would limit the third year of the tax cut, scheduled to take effect July 1, to families earning less than \$50,000.

They know that trying to kill the third year entirely would be politically foolish, but if Mr. Reagan opposes the plan, they argue, it will increase his reputation as a "rich man's president."

■ **O'Neill Favors Tax Cut Limit**

Speaker O'Neill proposed a \$700-per-person limit Monday on the third year of President Ronald Reagan's tax cut, United Press International reported from Washington.

Addressing American Stock Exchange officials, he said that as beneficiaries of Mr. Reagan's policies, "the financially well-off must be asked to sacrifice to reduce the deficit."

The weekend conference, attended by about 100 persons, including a Who's Who of the administration's women appointees, focused on giving those in attendance information to defend the president.

Not on the agenda were the Equal Rights Amendment and abortion, both of which Mr. Reagan opposes.

Pat Bergman of Aurora, Illinois, who has managed several state campaigns, reflected widespread sentiment here with a necklace that spelled "E-R-A," although she said she supports Mr. Reagan.

"You have to realize he's 72 years old," she said. "He's from another generation. Today we're talking to women voters in campaigns and their eyes will glaze over when you say you're a Republican. Say you're for ERA and they'll ask the name of your candidate."



FREED IN SPAIN — A Spanish banker, Diego Prado de Colón y Carvajal, center, was assisted by his brother and wife after being released by Basque separatists near Madrid. He was held for ransom for 73 days. His family, one of the most aristocratic in Spain, would not say if a \$9.3-million ransom demand had been met.

Zhao Balances Policy Between U.S., Soviet

By Michael Weisskopf
Washington Post Service

BEIJING — Prime Minister Zhao Ziyang played different sides of the strategic triangle Monday, calling separately on Washington and Moscow to satisfy Chinese demands if either wants better relations with the world's most populous nation.

The call, which came in Mr. Zhao's government report to the opening session of the national parliament, basically restated two long-standing demands: that the United States halt arms sales to Taiwan and that the Soviet Union reduce its military forces along China's borders.

As a high-level digest of Chinese foreign policy, however, the speech neatly embodied Beijing's strategy of gaining maximum leverage against both superpowers by maintaining equidistance from them.

"The superpower contention for world hegemony is the main source of turmoil in the world today," Mr. Zhao told delegates of the National People's Congress. "The Chinese government takes opposition to hegemonism and safeguarding of world peace as the basic point of departure of its foreign policy."

On other points, Mr. Zhao urged stronger national defense, championed Third World causes and called for better ties with Japan and the nations of Eastern and Western Europe.

But the prime minister focused his greatest attention on Washington and Moscow. In its current balancing act, China has softened its rigid hostility toward the Soviet Union while dropping its strategic cooperation with the United States.

Mr. Zhao noted that "some developments" had taken place in Chinese-American relations since diplomatic ties were established in 1979, but he said, "They fall far short of what could have been achieved."

U.S. arms sales to Taiwan, he said, are a "flagrant violation of the normalization accord in which Washington recognized Beijing as China's sole legal government and Taiwan as one of its provinces. Beijing considers weapons sales to a province to be an infringement on the nation's internal affairs."

Shortly after Washington shifted its recognition to Beijing in 1979, the U.S. Congress passed a law requiring enough arms sales to Taiwan to ensure its defense.

Mr. Zhao said that as a condition for better relations, the U.S. government will have to strictly observe the normalization accord and stop "doing anything that harms Chinese-American ties and hurts the Chinese people's feelings."

In contrast to some progress in Chinese-American ties, Mr. Zhao said China's relations with the Soviet Union "have been strained over a long period of time."

He said the 20-year rivalry was "not to the advantage of either side," and added, "The Chinese and Soviet peoples are both interested in normalization of relations between the two countries."

Since the two communist powers began talks last October to improve ties, Beijing has set forth three demands: a pullback of Soviet troops from the Chinese border, withdrawal of Soviet forces from Afghanistan and a halt to Soviet aid to the Vietnamese occupiers of Cambodia.

Mr. Zhao said China had submitted "positive proposals" for normalization during the two rounds of consultations.

"We are awaiting the Soviet side to prove its good faith by deeds," he said. "The first step to be taken is for the Soviet side to remove the real threat to Chinese security."

Mr. Zhao's address began the sixth congress of China's nominal parliament. The congress will be in session for about two weeks.

Gandhi Seen Losing Vote In Kashmir

Compiled by Our Staff From Dispatches

SRINAGAR, India — Early election returns Monday suggested that Prime Minister Indira Gandhi's party would not gain control of the state of Jammu and Kashmir, where six persons were killed and more than 170 were injured in violence during weekend balloting.

The death toll rose to seven Monday with the death of a man injured in a clash Sunday in Baramulla, 40 miles (64 kilometers) northwest of the state capital of Srinagar, United News of India said.

Fifty thousand troops were posted at polling places. There was sporadic violence between election workers in Mrs. Gandhi's Congress-I Party and the National Conference Party, which was seeking another six-year term after ruling the state for eight years.

Police fired into the air to disperse followers of rival political parties in the towns of Chadrana and Interwal, where about 150 people were reported injured. The towns are near Srinagar, about 400 miles northwest of New Delhi.

Twenty-seven persons were injured in towns in the Poonch district, state officials said.

Mrs. Gandhi campaigned personally for her party in the predominantly Moslem state. Congress-I Party candidates were ahead in the Jammu area, where Hindus are in the majority.

But the National Conference, led by Chief Minister Farooq Abdullah, was reported leading in the predominantly Moslem Kashmir valley, which has the largest number of seats in the state assembly.

Of the 76 seats in the current state assembly, the National Conference holds 45, the Congress Party has 11, and splinter groups hold the rest.

Namibia Issue Is Seen As Reagan Policy Test

By John M. Goshko
Washington Post Service

WASHINGTON — The Reagan administration, seeking a foreign policy victory to demonstrate the validity of its tough line on communism, has mounted a new, high-level attempt to win independence for South-West Africa (Namibia) and force the withdrawal of Cuban troops from Angola.

That, senior U.S. officials said privately, was the principal reason for Secretary of State George P. Shultz's meetings Thursday in New York with the foreign ministers of eight black African countries and with Sam Nujoma, leader of guerrillas battling for control of the predominantly black territory, which has been governed by South Africa for 63 years.

According to the officials, Mr. Shultz wanted to signal to the black Africans his determination to play a more active role in breaking the deadlock over Namibia. He also sought, they said, to counter growing charges by the Africans and U.S. civil rights groups that administration policy is tilted toward the South African government.

But while couched in polite, indirect language, Mr. Shultz's message did not vary from the line to which the administration has clung tenaciously: that the South African company be induced to surrender Namibia until Angola agrees to send home sizable numbers of Cuban troops.

The black Africans reject this linkage. Now, however, administration policy-makers, encouraged by what they regard as hints of flexibility from Angola and the black African states, hope that they are near a double-barreled diplomatic coup.

An agreement to withdraw Cubans from Angola would buttress Mr. Reagan's claim that toughness and resolve are the way to check the spread of communist influence. In addition, an equitable agreement on Namibian independence would allow the administration to argue that its approach also serves Third World interests and aspirations.

Pursuit of this approach has caused considerable strain in the so-called Western contact group — the United States, Britain, Canada, France and West Germany — that has been playing a broker role for almost a decade in negotiations on Namibia.

France and, to a lesser extent, Canada have strong reservations about linking the issues of Namibia and Angola. And the British and Germans, while more neutral, have made clear that the linkage is exclusively a U.S. idea. As a result, although the contact group still officially exists, the other members have basically ceded to the United States all responsibility for seeking a solution tied to the Cuban presence in Angola.

U.S. officials believe that most of the problems associated with Namibian independence, including provisions for elections and UN supervision after a South African withdrawal, are close to resolution and that only a parallel accord on Cubans in Angola stands in the way of South Africa's agreement to stand aside.

Angola's interior minister, Manuel Alexandre Rodrigues, regarded as the second most powerful person in the government, discussed the situation with Mr. Shultz in Washington recently. Immediately afterward, President José Eduardo dos Santos went to Moscow for talks that U.S. officials believe were centered on reaching an accommodation about the Cubans.

These officials said that they still do not know what may have been decided in Moscow, but they anticipate another U.S.-Angolan meeting soon and a clearer picture of whether the Lusinda regime is ready to show more flexibility.

"Our most recent discussions with the Angolans have been very good," a senior U.S. official said. "The fact that they sent someone of Rodrigues' standing to Washington was a clear signal that they are at least tentatively interested in dealing."

He added, "Still, while we're more optimistic, the situation is far from clear. It could happen tomorrow; it could be three months from now, and it could be a year from now."

Polisario Issue Blocks Start of OAU Summit

Reuters

ADDIS ABABA, Ethiopia — The Organization of African Unity's twice-abandoned 19th summit failed to open on schedule Monday, and Libya said deep divisions over the Western Sahara might prevent the session from taking place.

Difficulties over the Western Sahara, an issue that has complicated OAU business for several years, resurfaced Monday as delegates gathered for a summit seen as crucial to the organization's survival.

Libya's United Nations representative, Ali Turek, said that heads of state, at an informal meeting, had failed to find a compromise over the Western Sahara, and he said that the summit might not take place.

There is the possibility that there will be no meeting, Mr. Turek said on leaving the informal session, which was attended by representatives of 21 nations. "There is no compromise on the Western Sahara."

OAU business has been at a virtual standstill since February 1982, when the Western Saharan independence movement, led by the Polisario Front, became the OAU's 51st member in a disputed administrative decision. The Polisario is fighting Moroccan control of the desert territory.

Walkouts and boycotts over the issue have deprived two previous summit sessions of a required 34-nation quorum.

Earlier, the Moroccan foreign minister, Mohamed Bouceffia, indicated that Algeria, among the staunchest supporters of the administration of Polisario guerrillas, might have softened its stand.

He said that as far as he knew, supporters of Algeria and those of Morocco were determined not to let the issue destroy the OAU.

"There is a willingness on both sides not to let the threat of a breakup hang on the organization," Mr. Bouceffia said.

The Polisario's foreign minister, Ibrahim Hakim, said Sunday that his group was determined to take its seat at the meeting, but conference sources said there was strong pressure on the Polisario delegation from opponents and allies to stay away. The Polisario delegation is led by guerrilla leader, Mohammed Abdel Aziz.

Some delegates had predicted that a compromise might involve the Polisario group's abstention

from the session in return for a postponement of any discussion on its disputed membership.

A factor that may be crucial in the maneuvering, Mr. Bouceffia said, is the attitude of the Libyan leader, Moammar Qadhafi, who is the other main Polisario backer. Colonel Qadhafi arrived in Addis Ababa unexpectedly on Sunday.

Mr. Bouceffia said Libya was the only country that wanted to force the seating of the Polisario group.

The failure of the two previous summits in Tripoli deprived Colonel Qadhafi of the yearlong chairmanship he was to take over from President Daniel Arap Moi of Kenya. Mr. Moi's mandate has had to be extended because of the organization's paralysis.

At the second unsuccessful OAU session in November, Colonel Qadhafi told delegates that there could be no future meetings that did not include Polisario's Saharan Arab Democratic Republic.

He also said that no further summit session could be held that did not include Libya's allies in Chad, the Provisional National Unity Government of Goukouni Oueddei. Mr. Goukouni was forced from power by the forces of Hissene Habré a year ago.

Mr. Habré's administration is recognized by an overwhelming majority of OAU states because it controls the capital, Njamena. Mr. Goukouni's army, backed and armed by Libya, is advancing south from bases near the Libyan border toward central Chad, according to diplomats in the region.

DEATH NOTICE
HYDE - MARIE DE LA GRANGE died on June 2, 1983.

Loving and beloved mother of LORENA DE WANGEN and ISABEL HYDE JASNOWSKI, and grandmother of STEPHANIE DE WANGEN. Daughter of the late French senator AMAURY DE LA GRANGE. World War II deputy secretary in the Ministry of Commerce.

commander of the Legion of Honor, and EMILY SLOANE DE LA GRANGE of Paris, France.

Sister of AMICIE DE NICOLAY and HENRY LOUIS DE LA GRANGE. Beloved friend of many.

Funeral mass Church of St. Ignace, Loyola, 84th Street and Park Avenue, was June 6th.

★ ★ ★
GREAT NAMES IN THE ARTS OF THE TABLE
(Hayland, Robert Hayland and C. Parlin, Saint-Louis, Damm, Rosenthal)
HAVE CHOSEN MADRONET
34, rue de Paradis - 75010 Paris
so that your table may be unique

You'll treasure Sonesta's island.
Sonesta Beach, on a beautiful sun drenched tropical island. A magnificent resort hotel with a private beach, superb restaurants, tennis courts and an Olympic size swimming pool. Just 20 minutes from Miami International Airport.
Call Sonesta Instant Reservations
Paris 06 079 1717 Frankfurt 0611 284 388
London 01 628 3451 Zurich 01 302 08 57
Or call your travel agent
800 direct connection for the cost of a local call
Sonesta Beach Hotel Key Biscayne
350 Ocean Drive, Key Biscayne, Florida 33149

AUTHORS WANTED
BY N.Y. PUBLISHER
Leading subsidy book publisher seeks manuscripts in all types, fiction, non-fiction, poetry, juvenile, scholarly and religious works. etc. Free authors welcomed. Send for free booklet H-3. Venture Press, 516 W 34th St., New York, N.Y. 10001 U.S.A.

When Mr. Karam started talking to Flight 797, a crew member told him that the only instrument he had was a gyro horizon, which tells whether a plane is going up or down, and an altimeter.
Mr. Karam said he had planned

An electric motor that operated the pump that flushed the toilet in the rear lavatory remains under suspicion as cause of the fire. Three circuit breakers that protect the motor tripped in the cockpit before the emergency became known to the crew.

Financial Times Fails To Publish in London
The Associated Press LONDON — The Financial Times failed to publish here Monday for the fifth straight time because of a pay dispute in its pressroom.

The newspaper's European edition, printed in Frankfurt, also did not appear for two days last week because of sympathy action by composing room workers. A limited European edition appeared Monday.

Herald Tribune

Published With The New York Times and The Washington Post

The START Instructions

There has been much speculation in Washington about what the instructions will be that President Ronald Reagan gives to the team he is about to send back to Geneva to resume negotiations with the Soviet Union on reducing intercontinental strategic missiles. That the instructions for the START delegation will be changed is clear. Explicitly and implicitly, Mr. Reagan accepted a requirement to make his START proposals consistent with the recommendations of the Scowcroft commission he had named to study the missile question. Congress stands ready to hold him to his word. It has control of the MX money valve. But how will the proposals be changed?

There is an intense argument among the conservatives of the Reagan national security team. It centers on missile lifting power, or throw weight. Historically, Moscow has built bigger missiles, and so it has a theoretical advantage of better than two to one by this measure. In the administration's first START proposals, advanced when the negotiations opened in May 1982, the United States contemplated a first phase in which the throw-weight disparity would be addressed, though the emphasis would be on making deep reductions in numbers of warheads and missiles. In a second phase, emphasis was to be put directly on achieving equal throw-weight levels.

The question now, in revising the START

proposals in accordance with the Scowcroft recommendations, is whether to maintain the two-phase approach or to combine the phases and demand straight away that the Russians come down to the U.S. throw-weight level.

The argument for continuing on the old track is that it would improve the chances for an agreement, since it is assumed that any large new demand on Moscow would not be well-received; this is believed to be true in part because Washington will be submitting to Moscow some other, smaller START changes that are necessary and desirable. The argument for switching and putting greater priority on throw weight is that without equal limits the Russians could break out of the agreement and quickly add many warheads to existing missiles if things went bad.

Mr. Reagan is being asked the quintessential arms control question: whether to take a relatively cautious course that is likely to facilitate (though not ensure) an agreement with Moscow, or to try to protect against dark, future contingencies by advancing proposals that will make it harder to get an agreement. Even if the president were not under political pressure to take the first course, all we have read and heard about it, from opponents as well as those in favor, makes it sound to us a right, safe and reasonable thing to do.

—THE WASHINGTON POST.

A Storm in the Andes

Peru's troubles today are Peruvian, but by tomorrow they could also be Washington's. A fragile democratic regime in Lima is struggling with droughts and floods, a fiery insurgency, an \$11-billion debt and an economic slump. But the Reagan administration's hemisphere crisis chart has scant room for the Andean republics stretching south from the inflamed isthmus of Central America.

Most Americans are scarcely aware of the political shifts in the five Andean republics, all led by constitutional presidents virtually for the first time since Simon Bolivar's day. But the uneasy transitions to democracy in Peru, Colombia, Ecuador and Bolivia have occurred at the worst of economic times. And in Venezuela, where democracy is strongest, development has been slowed to a crawl by declining oil revenues.

President Fernando Belaúnde Terry of Peru is in much the straits as his Andean colleagues. Elected in 1980 after 12 years of military rule, his room for maneuver is squeezed by a restless army and a guerrilla band called Shining Path. Its bombs blasted Lima's electric towers a week ago, leading to mass arrests and the risk of worse repression.

As elsewhere in South America, politics in Peru is chiefly the concern of a small elite. Democracy still needs a wider popular base,

and that hinges on the government's ability to create opportunity and hope — jobs and schools. But smack in mid-slump, a shift in the Pacific's El Niño current has loosed torrential rains in Peru and eastern Bolivia. Devastating floods have destroyed lives, homes and crops, even raising the risk of famine.

An essential but minimal gesture for the United States has been the pledge of \$48 million in emergency food aid for Peru and Bolivia. But beyond that, Washington should be helping to devise a strategy for development for neighbors who feel themselves abandoned, even forgotten. The Reagan administration's only hemisphere initiative has been for the Caribbean, and one of its benefits would extend to the Andean nations.

Peru's sense of isolation was deepened last November when President Belaúnde abruptly canceled a visit to Washington. He found he would be arriving just as the Commerce Department was imposing higher duties on Peruvian cotton. The money involved was petty: Peru's cotton exports in 1982 totaled only \$60 million. But it was the kind of small thinking that can turn leaks into floods. Peru and the other Andean nations need more attention, and on political grounds alone, they manifestly deserve it.

—THE NEW YORK TIMES.

Other Opinion

The Palestinians' Troubles

The revolt against Yasser Arafat's leadership within the PLO has become a storm in a tea cup, whipped up by Colonel Qadhafi with Syrian connivance, although that is how Mr. Arafat himself and his principal military deputy, Abu Jihad, have been strenuously trying to depict it.

It is now clear that the Palestinian leadership faces the most serious challenge from within the ranks of its own followers since he became chairman of the Palestine Liberation Organization's executive 15 years ago — indeed, since he founded Fatah itself in the late 1950s.

But (the rebels) have no credible substantive policy to offer. "We are determined to return to Sabra and Chatila, and to southern Lebanon, and from there we will go on and liberate Palestine," says Abu Akram.

For all his faults, Mr. Arafat's international celebrity is an asset the PLO would find it very difficult to replace. He is recognized as "Mr. Palestine" by the people of the occupied territories, by the Palestinian diaspora, and indeed by the world at large. If he is to be their leader, it is high time he gave them a clearer lead.

—The Times (London).

The revolt of the Palestinian colonels, which has just entered its second month, constitutes the gravest threat to confront the PLO since its creation in January 1964.

It is clear that the rebels' movement would not have broken out, or at least, would quickly have run its course, if it were not backed by Damascus. And having lost the "mini-state" that he had created in Lebanon, Mr. Arafat must henceforth, whether he likes it or not, take Syrian pressure into account.

—Le Monde (Paris).

The Palestinians do have one potent option left: waging nonviolent political warfare in the

West Bank and the Gaza Strip. Israel is still a democracy, and it is possible that, like Britain in India, it would eventually make concessions under nonviolent duress that it would never agree to under the threat of violence. The problem is that a campaign of small and large acts of civil disobedience — a strike by Palestinian workers constructing Israeli settlements, for example — would call for charismatic Gandhian leadership and a degree of political maturity not heretofore shown by [Yasser] Arafat and the rest of the PLO hierarchy.

—The Nation (New York).

Lowered Expectations

Something profoundly serious is going on that will almost certainly change the character of the nation. I have in mind the lowering of expectations. For perhaps the first time in the history of America, parents do not expect their children to be better off economically than they themselves are.

There are exceptions. Low-income parents may be hopeful with regard to their children's future. But talk to middle-class professionals, and what you get is a near-universal sense that their children will be hard-pressed to maintain the standard of living into which they were born. Our children may already be living in the biggest house and wearing the best clothes they ever will.

Part of the lowering of expectations is the result of a lowering of need, the abandonment of the hard-times-induced notion that more is better. Part of it is the result of the discovery that big homes, big cars and big bank accounts have little to do with happiness.

But the major part, I suspect, has less to do with a changing sense of values than with a changing economy. Young people may still want the things their parents worked for, but many find they simply cannot have them.

—William Raspberry, The Washington Post.

FROM OUR JUNE 7 PAGES, 75 AND 50 YEARS AGO

1908: Exodus From Korea

TOKYO — Because many thousands of Koreans have secured naturalization elsewhere, particularly in Siberia and China, in order to escape from Japanese domination, the Korean government has issued an edict declaring that it will not recognize these renunciations of allegiance to Korea. The official explanation of the decree is that it is intended to prevent returning Koreans claiming such naturalization from taking advantage of consular extrajurisdiction. The edict may lead to interesting complications through attempts by Japan's consuls abroad to assume jurisdiction over naturalized Koreans, basing their action on Japan's control of Korea's foreign affairs.

1933: A Belgian 'Love Fair'

ECAUSSINES, Belgium — The celebrated "love fair" held here annually on Whitmonday, was attended by hundreds of Wallonian boys and visitors who gathered to dance in the streets until dawn and attend the "matrimonial" luncheon provided. Formal introductions are unnecessary on this great, traditional day. Pretty girls, clad in their prettiest frocks, choose their gallants with a smile, and they wander off hand-in-hand to visit the "bridge of sighs," the "lovers' tunnel" and the imposing medieval chateau. Since 1903, when 60 young girls, vexed at the lack of enterprise shown by the boys of their village, first inaugurated the "love fair," weddings have multiplied each year.

INTERNATIONAL HERALD TRIBUNE

JOHN HAY WHITNEY, Chairman 1958-1982

KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER
Co-Chairmen

LEE W. RUBENBER, Publisher

ROLAND PINSON, Editor

RENE BONDY, Deputy Editor

FRANCOIS DESMAISON, Deputy Editor

RICHARD H. MORGAN, Associate Editor

STEPHAN W. CONWAY, Director of Advertising

Director of the publication: Walter N. Thayer

Gen. Mgr. Asst. Alan Leary, 24-34 Haverhill Rd., Hong Kong, Tel. 2-283618, Telex 61177

S.A. an capital of 1,200,000 F. RCS Number B 75021126. Commission Paritaire No. 54231

U.S. subscription: \$280 yearly. Second-class postage paid at Long Island City, N.Y. 11101.

© 1983, International Herald Tribune. All rights reserved.

In Britain, Slips and Gambles and Endless Babble

By James Reston

LONDON — Britain in the spring is as constant and beautiful as always, except that this year there is an election, and everything seems topsy-turvy.

The main headline in The Times of London Saturday morning, for example, was "Thatcher Accuses SDP Leaders of Lacking Guts." It is not the sort of thing one expects of a lady prime minister.

Meanwhile, Denis Healey, the Labor Party's deputy leader, accuses Mrs. Thatcher of having "gloried in slaughter" during the Falklands war. He had to concede later on that this was not precisely the sort of phrase that a gentleman should use.

These, however, are merely awkward "slips." The positions of the Conservative and Labor parties in the election are even more surprising.

A former Conservative prime minister of Britain, Harold Macmillan, once observed that "every nation has its nightmare — Germany's is inflation, Russia's is invasion from the West by a Napoleon or a Hitler, and Britain's is unemployment."

But here is the Thatcher Conservative government with more than three million unemployed — Labor leaders say it is over four million — running well ahead in the polls.

Mrs. Thatcher has parlayed an avoidable war in the Falklands into the prospect of an electoral triumph on Thursday. But the Labor Party has neither concentrated on why she did not avoid the war in the first place nor on what she is going to do with her victory on those lonely distant islands in the future.

The Labor leaders have made other gambles that are not paying off. They have not only fought among themselves and diverted attention from unemployment, where they are weak, but also have bet on opposing new U.S. nuclear weapons in Britain and getting out of the European Community.

There is some public support here for this isolationist policy, but not much. The anti-nuclear protests go on around the American military bases here. More than 750 demonstrators have been arrested in recent days at the gates of the U.S. Air Force compound at Upper Heyford in Oxfordshire. But this has scarcely been mentioned in the campaign.

In fact, the United States itself has seldom been mentioned, for there seems to be a general feeling here that if the British go isolationist

and refuse to cooperate in maintaining a U.S. nuclear balance of power with the Russians in Europe, America may also revert to isolation, which is the last thing most people here want.

What the British, of whatever political persuasion, really want is some kind of reconciliation between the two major nuclear powers in Washington and Moscow. Accordingly, they have welcomed the conversation between Averell Harriman, with Winston Churchill's daughter at his side, and Yuri Andropov in Moscow. And also they have welcomed the State Department's positive response in favor of a renewal of conversations between Moscow and Washington on coexistence.

But, failing this, as much as the British dislike it, they will choose to risk putting cruise and Pershing-2 nuclear missiles in their territory, despite the Labor Party opposition.

Prime Minister Thatcher has been very stern about this. So have the leaders of the British Social Democrat-Liberal alliance, though the alliance has talked more in this election about the necessity for a U.S.-Soviet nuclear compromise at Geneva.

This may be one reason why the SDP mid-

dle-of-the-road party has been gaining support in the last stages of the election here, and why both Mrs. Thatcher and the Labor leaders have been attacking the alliance so strenuously.

There is a longing here for moderation — as end of the battles between the extremes, as there is in the United States. The idea is getting around here, as at home, that maybe more progress can be made by cooperation rather than by confrontation in both domestic and world politics.

Even Prime Minister Thatcher is beginning to talk more moderately, and, like President Reagan, protesting that she cares about the poor at home and abroad.

Meanwhile, the British babble along endlessly in this election, night and day. Television is their medium, even more than in U.S. elections. The British campaign is one continuous "Meet the Press" and call-in show — and it works for them, in their own way.

Fortunately, they limit their campaign to two weeks, rather than the two years of election campaigning in the United States, no wonder. For spring is here again, in all its glory, and every once in a while, the sun even shines.

The New York Times.

The Pope's Delicate Visit Home

By Jas Gawronski

ROME — The pope's second visit to Poland could turn out to be a delicate one — for the Polish people and for the values the West represents. In fact, the visit is likely to be useful mainly to General Wojciech Jaruzelski's regime.

The first pilgrimage of John Paul II to Poland, in 1979, ratcheted for the people a feeling of national unity and power that emboldened them in their struggle against the Communist regime, thus creating the conditions for the birth of the Solidarity trade union.

But miracles seldom occur twice. Five months after the suspension of martial law, the only changes have been for the worse. People are routinely beaten up in police stations and languish in prison cells, where they are subjected to treatment that, according to a recent report by the non-Communist Solidarity, is deliberately cruel.

The regime is still waiting for a sign of support from at least one of those figures who gained popular respect before the military coup in December 1981.

The church hierarchy persists with a prudent attitude in its relations with the authorities, trying to prevent any useless rise in tensions that might endanger the weekend visit of the pope, which is to begin June 16. But thousands of parish priests, through their actions and sermons, continue the defiance launched by Solidarity.

Still, General Jaruzelski's aim is not so much consensus as control. He has acquired it shrewdly and appears unlikely to allow it to slip easily from his hands. It is highly improbable that a movement similar to Solidarity can emerge in the near future.

Given these realities, what is likely to come from the pope's visit?

The enthusiasm such a visit would generate could serve to remind the military that the spirit of Solidarity is still alive, and the pope's presence could give new life to a disappointed, stagnant populace and reinforce its religious faith. However, the visit is also bound to raise some false hopes and lead to frustrations. General Jaruzelski is not going to liberalize his policy as the result of the pope's visit; Moscow would not let him.



Steen Amsterdam, The Washington Post.

If there is a change in policy, it will probably be for the worse, since the general is likely to postpone a number of unpopular measures until after the pope's visit; these measures could include political trials and price increases. A result might be a decline in the pope's prestige in the people's eyes.

Now that General Jaruzelski has succeeded in imposing many of his own conditions on the visit, he is eager for the pope to come. The general feels he could become the principal beneficiary of the pope's presence, despite the obvious risks — demonstrations of excessive enthusiasm and outbursts of repression — which could be manipulated by his rivals in the ruling hierarchy to weaken his position inside the regime.

But against these risks, there are obvious advantages, not least of which is the air of legitimacy that the pope's visit might confer upon the Jaruzelski government.

Government officials make no attempt to hide what they expect from the pope's visit. Henryk Jablonski, the chief of state, talks in his official invitation about "positive results for the good of the country, and for the Polish socialist state." The newspaper of the armed forces, Zolnierz Wolnosci, says the pope's visit "could constitute a recognition of the government of General Jaruzelski and break its international isolation."

The minister for religious affairs, Adam Lopatka, said in an interview that the pope's journey would be "useful in breaking the chain of isolation that has been drawn around Poland by the Western countries."

Not satisfied with these advantages, the Polish government succeeded in inducing the church to make concessions that many in Poland consider excessive. No more is there talk about a general amnesty for political prisoners, which had seemed to be a precondition for the announcement of the trip. Cities like Gdansk and Szczecin, which were the cradle of Solidarity, and the town of Lublin, site of the only Catholic university in the Communist bloc, have been dropped from the pope's itinerary.

In addition, there are still doubts about a meeting between the pope and Lech Walesa, the symbol of Solidarity. If the regime succeeds in preventing this encounter, the visit could turn into a bitter blow to the many Poles who still have hopes for a better Poland.

The writer, a member of the European Parliament, was a correspondent for Italian television in Moscow and Warsaw, and recently paid a private visit to Warsaw. He contributed this column to The New York Times.

Americans Seem to Be Reaching Maturity in Foreign Affairs

By Stanley Karnow

WASHINGTON — Americans have a reputation for being fickle, oscillating from one extreme to another. But the evidence is that in foreign affairs at least, their sentiments are remarkably stable.

This suggests that the public has a keen sense of what represents the national interest. In that respect, the country is probably far ahead of the politicians in Washington.

One conclusion to be drawn is that Americans, who have swung from strong isolationism to strong interventionist tendencies over the past half-century, are finally reaching an equilibrium that mirrors maturity.

And the lesson for the politicians, from the president down to the freshest of freshman congressmen, is that the people cannot easily be bamboozled into endorsing ventures abroad that do not seem to be vital to the country's real concerns.

Thus, the cry of "no more Vietnam" in regard to potentially deeper U.S. involvement in Central America and elsewhere is not an appeal for withdrawal from the world. It is a challenge to the leaders to offer a sound explanation for commitments overseas.

One of the most comprehensive surveys of American attitudes toward international affairs to appear recently is a study published by the Chicago Council on Foreign Relations. Within the past four years, the study notes, the public's values and priorities have not shifted significantly.

Americans were inclined to be conservative and nationalistic after the Vietnam tragedy, when they fretted about the nation's global image after its first military defeat. They were particularly troubled by the military imbalance between the United States and the Soviet Union.

In many respects, the vote for Ronald Reagan was a vote for a stronger national security. The administration has gone a long way toward allaying public apprehensions by boosting defense expenditures.

But now, the Chicago survey observes, Americans seem to believe that Mr. Reagan may be going too far. The accent is on peace and arms control, and also on the budget deficit caused by excessive defense spending.

The public's largest single preoccupation in foreign affairs is the nuclear arms race. More than half of the Americans polled favor a freeze on the construction of nuclear weapons by both the United States and the Soviet Union.

This represents a rejection of Mr. Reagan's argument that the United States cannot begin to contemplate a freeze until it builds up its nuclear arsenal further. The public is concerned with avoiding war, not ensuring U.S. superiority.

The quest for peace does not mean that Americans have much confidence in the Kremlin. The Soviet Union stands at the bottom of the list of

countries in which the U.S. public has trust.

I find it to be a sign of sophistication, however, that Americans have shaken off their myopic anti-Communism of the 1950s, and can now differentiate. While the Soviet Union has a low rating, sympathy for Poland and China is on the rise. No longer in the American mind is one Red like another Red.

The area of the world that most disturbs Americans is the Middle East. Here too, though, public attitudes have become increasingly complicated and qualified, another sign of growing sophistication.

Support for Israel continues to be overwhelming, at least in the sense that most Americans continue to be totally committed to the survival of the Jewish state. But the support is not blind.

The Israeli invasion of Lebanon, dramatized on television in all its

horror, has altered American attitudes. Most of the public disapproved of the action, and Prime Minister Menachem Begin's ratings dropped precipitously.

Moreover, the majority of Americans now believe that the United States should rigorously enforce the law that requires military aid to be used for only defensive purposes. Support for the creation of a Palestinian state has also gone up appreciably, though personal support for Yasser Arafat has not.

A key change, however, is that Americans are tending to view the Israelis and Arabs with equal impartiality, which does not augur well for Israel.

What countries count for Americans? Japan tops the roster, with Canada, Britain, Saudi Arabia and West Germany high on the list. Plainly, President Reagan is misguided if he thinks the public can get

stunned up over Central America. This was borne out last month in a Washington Post-ABC News poll, which showed that Americans, by a margin of three to one, sharply oppose Mr. Reagan's proposed increase of military aid to El Salvador.

A majority of the respondents were "too entangled" in the internal problems of Central America. Mr. Reagan's efforts to subvert the Sandinist regime in Nicaragua draw very little support from Americans.

Most Americans want the United States to play an active role in world affairs. But except in the case of a Soviet invasion of Western Europe, very few want to commit U.S. combat troops abroad in a crisis.

With all this, however, the American public's primary concerns are domestic — specifically unemployment and economic improvement. And that, in my estimation, is the way it should be.

Tribune and Register Syndicate.

LETTERS TO THE EDITOR

Homer's Way

Regarding "From Homer to J.R." (HT, April 30):

Granted, television fairs such as "Dallas" appeals to millions of people in many lands by portraying, albeit in an unblushingly crude manner, certain timeless themes. But Mr. Bengue is plain wrong in comparing such lowest-common-denominator fluff to the tales of Homer. If Mr. Bengue would read a few books on oral folklore, or, better, to visit a land with a living oral tradition, which is what Homer's tales were part of, he would see this: A teller performing for a relatively small group, usually accompanied by five music, reacting to his audience

and their reactions, and embellishing and improvising according to his and their moods.

The audience can cheer or laugh or otherwise urge the teller on. In short, the listeners are not just passive receivers, but are part of a communicative dialogue. The shallower question of these distractions from the more important consideration of what is the experience of story-telling or tale-bearing: In a society with active oral traditions, as was ancient Greece, it is a lively, rich, human experience.

Fairly in comparison, the experience of television-viewing consists of unbroken, passive, lonesome and unshared staring, a dismal low on earth for the art of storytelling.

JESS NIERENBERG, Munich.

Speakers of Hindi

Regarding "English Seems to Be the Leader in India's Linguistic Sweepstakes" (HT, May 20):

William K. Stevens writes, "As many as 150,000,000 Indians may now speak Hindi." But the combined population of the Hindi-speaking states of Uttar Pradesh, Madhya Pra-

desh, Haryana, Rajasthan and Bihar, according to the provisional results of the 1981 census, is more than 279,000,000. That is the number of people for whom Hindi is the mother tongue, not to forget the many millions for whom it is a lingua franca.

RATILAL R. JOSHI, Vienna.

A Lewis Fan

Regarding "About Washington and a Scandal in Argentina" (HT, May 24): Thank heaven for giving us Anthony Lewis and his trenchant, spirited articles.

LEONORE SUELL, Portland, Oregon.

mai Deve
med at T
rigated E

ez Canal

Alexand

EGYPT

SUDAN

EGYPT

THE ECONOMY — A SPECIAL REPORT

Sinai Development Aimed at Tourism, Irrigated Farming

By Frederick Schiff

AL ARISH, Sinai — The Sinai Peninsula is the fastest-growing development region in Egypt, although the government's expectation that the area can absorb an important share of the population from the Nile Valley and Cairo seems overly optimistic.

Egypt, after fully recovering Sinai a year ago, is eager for its achievements in the region to stand comparison with the development that occurred during the Israeli occupation.

Housing projects under construction are expected to bring more than 65,000 new migrants to the region in the next two years. Urban development is concentrated at Al Arish and El Tor, the new administrative centers of north and south Sinai.

The head of the Sinai Development Authority, Ali Abu Zaid, said that housing and infrastructure developments were going ahead before jobs can be created for the new residents. He said that the government target of 1 million settlers by the year 2000 meant the provision of 200,000 new jobs, one-fourth of these in "productive" sectors.

"Our objective is to move people from the overcrowded Nile Valley," Mr. Zaid said. "We want to resettle and establish these people in the [five] development regions. We are beginning with the Sinai because it has been neglected since 1950."

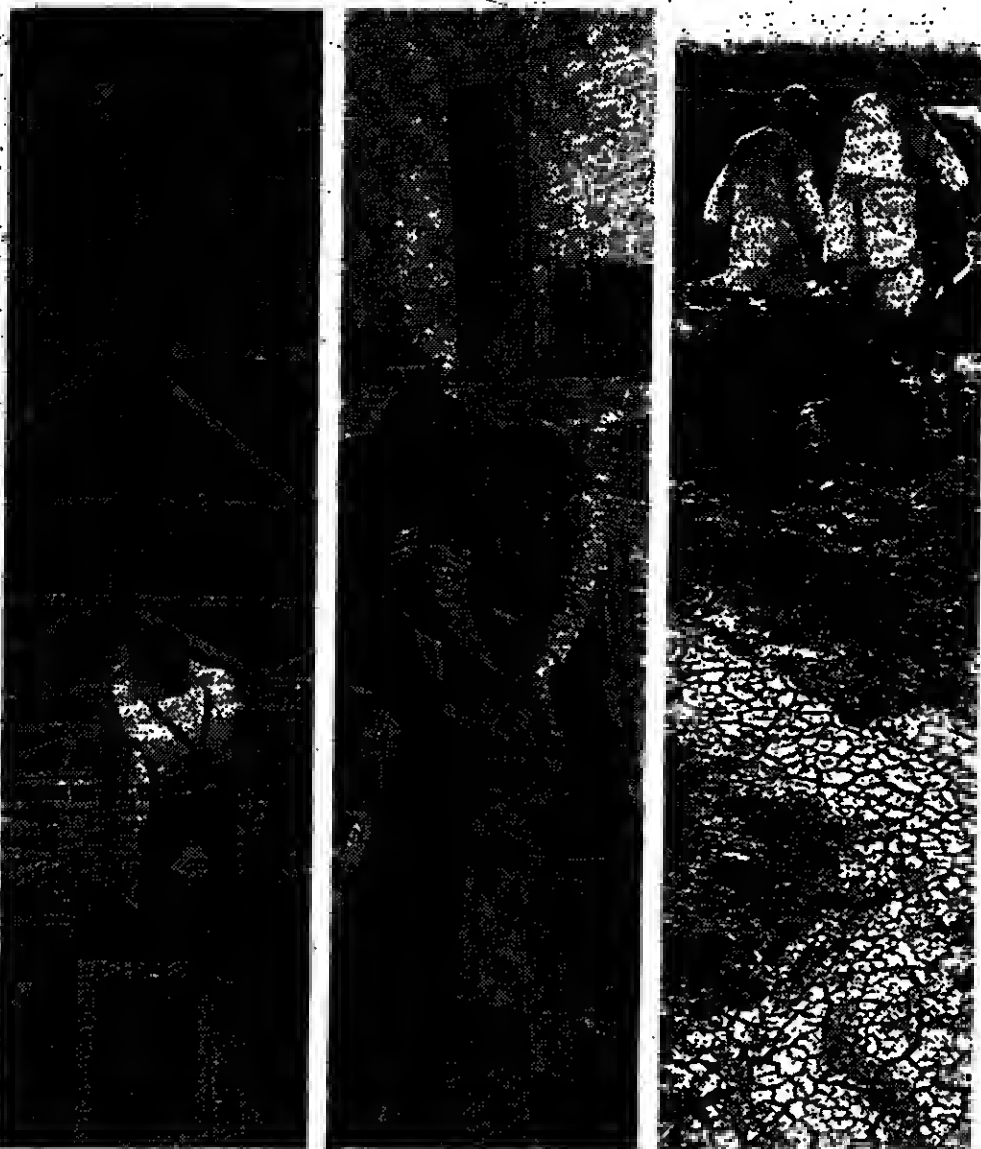
A 1982 feasibility study by Dames and Moore, a U.S. consulting firm, doubted that this objective of rational human resource management could be carried out on the scale envisioned. "In general, immigration to rural areas and new lands has been small," the report noted. The report proposed a modest doubling of the population from about 200,000 in the Sinai in 1981 to the end of the century.

The government in Cairo is, nevertheless, pushing ahead to improve urban centers and access to the Sinai. The 1.6 kilometer-long (mile-long) Ahmed Hamdi tunnel opened last year, linking the peninsula by land for the first time since the Suez Canal was built. There are eight ferry crossing points. The peripheral road network is in reasonable condition and is being resurfaced.

A major limiting factor to further settlement is water, with average annual rainfall at less than 40 millimeters (1.6 inches).

Two major pipelines are planned, at an estimated cost of about \$50 million. Construction was begun on one pipeline last year and the other is being tendered. A conveyor, 700 millimeters wide and 170 kilometers long, will carry 28,000 cubic meters a day of Nile water from Qantara to Al Arish, and the second, 500 millimeters wide and 163 kilometers long, will deliver 4,000 cubic meters daily from Suez to Abu Rudeis. Six siphons already are pumping water to reclaim desert land for agricultural use east of the Suez Canal.

In Al Arish, three huge apartment cities are going up, with 4,500 (Continued on Following Page)



OIL, CONSTRUCTION AND AGRICULTURE — At left, a drilling platform in the Gulf of Suez. Despite the world surplus, oil revenue continues to play a key role in Egypt's economy. Center, a cement plant in the desert. Right, farmers plough Nile Delta land. Agriculture remains a government priority, but the food import gap is widening.

Economic Growth Tied To Regional Oil Trends

By Joseph Fitchett

CAIRO — Egypt rarely comes to mind as a country whose fortunes are tied to the oil boom, but, in fact, the rise and fall of the Egyptian economy in recent years has mirrored trends in the oil economies of the Middle East.

Today, Egypt needs a new motor for earnings following the drastic downturn in regional oil wealth. For almost a decade after 1973, Egypt's oil exports were the country's main source of growth — aided by Egyptian workers' remittances from the Gulf, tanker fees from the Suez Canal and tourism to newly peaceful Egypt.

With bleak prospects for any further growth in these sectors, Egypt is heading toward unmanageable deficits. The situation is especially grim because Egypt — like many other oil-exporting countries — neglected to make overdue economic reforms when it was growing by nearly 8 percent annually during the 1970s. Agriculture, for example, actually stagnated.

Today, President Hosni Mubarak, 18 months in office, is emphasizing recovery as his main domestic priority. Both Egyptians and friendly Western governments, however, are waiting to see whether his promises of change and his cautious initial reforms will coalesce into a major new departure.

Mr. Mubarak, edging Egypt toward a more competitive spirit, has to cope with a double heritage. The Nasserist legacy is deep: for a generation, Egyptians were insulated from the international commercial facts of life. President Anwar Sadat's decade coincided with a rush of oil-related wealth that allowed many Egyptians to indulge their long-suppressed consumer appetites.

In the last two years, however, Egypt's deficit has grown dramatically. Figures vary, as always in Egypt, but one set shows the current-account deficit leaping from \$455 million in 1980 to \$2.4 billion last year — a shortfall equivalent to 8 percent of Egypt's gross national product. Although Mr. Mubarak in his last May Day speech said the figures were improving slightly this year, the trend remains critical. After years of spending its foreign earnings on consumption to buy political peace, Egypt, its leaders admit, needs to apply austerity in order to curb luxury consumption, to reduce the population, to reform the heavily dominant public sector to be more productive and to

galvanize Egyptian foreign and private investment — a package of measures to make Egypt gradually more toward becoming more self-sustaining.

The deficit statistics sobered many officials and got them thinking about economic reforms that they understood in theory but ignored in practice," according to a source close to key cabinet ministers.

Egypt's situation may be harsh for the nation, but it leaves opportunities for many businessmen — provided they meet the government's new criteria. "Mr. Mubarak wants to keep the liberal open-door economy," an Egyptian observer said. "But he wants to close what is called the consumer open-door and keep the so-called productive open-door."

The emphasis, publicized in the five-year plan last year, is on investments for industrial and agricultural production, not on facilities for services and imports. An economic necessity, this approach also has political overtones designed to disarm Muslim fundamentalist and Nasserist groups. Conspicuous consumption is to be curbed and the public sector is to be modernized, not dismantled.

A key architect of this approach is Economic Minister Mustapha Khalil. New tax regimes and lending rates, for example, are designed to favor entrepreneurs, not merchants. And Mr. Khalil instituted selective import bans, while authorizing exporters to keep more earnings abroad to restock machinery and raw materials.

This approach fits well with the efforts of Egypt's main Western friends. The United States, whose biggest aid program is in Egypt, together with U.S. companies, play a key role in Egypt's oil production and banking development. Egypt ranks just behind India as a recipient of aid from Bonn, and France is helping finance several major projects. All want to improve Egyptians' living standards — to stabilize a country that has become pro-Western — and to foster a business climate in which trade can help Egypt compete in the world economy.

The challenge is formidable but hard to project to public opinion. Egypt gains an extra one million mouths to feed every nine months. But nobody seems to starve, yet. Socialist attitudes undermine initiative. "The words 'private sector' imply effort to Westerners, but for Egyptians they conjure up the image of a

(Continued on Page 115)

Suez Canal Income Vital to Economy

By Patricia Ochs

ISMAILIA, Egypt — Despite the recession and the world oil surplus, the Suez Canal continues to be a mainstay of the Egyptian economy.

On average, 62 ships use the canal and pay \$2.7 million in tolls each day. The canal revenue is Egypt's third-highest foreign exchange earner, after oil and workers' remittances from abroad.

The 100-mile (161-kilometer) canal linking the Mediterranean and the Red Sea provides its most important customers, Europe and the oil-producing Gulf states, with a vital trade route.

The first Suez Canal was dug about 1800 B.C. and linked the Nile and the Red Sea. This canal was left unattended for many years and was filled in, for military reasons, in about A.D. 775.

The modern canal, promoted by the French diplomat Vicomte Ferdinand Marie de Lesseps, was completed in 1869 after a decade of work. President Gamal Abdel Nasser nationalized the waterway in 1956 and set up the Suez Canal Authority as an autonomous body.

Almost a dozen improvement projects have

deepened and widened the waterway to accommodate larger oil tankers and ships.

Because of Arab-Israeli fighting beginning in 1967, the canal was closed to international shipping until 1975. The SCA estimates that Egypt lost \$3 billion in income, equipment and buildings. A United Nations report in 1974 estimated that the closing of the canal cost the world more than \$10 billion in higher shipping charges, trade reductions and other losses.

Another hardship for the SCA was that, while the canal was closed, the introduction of very large crude carriers, or VLCCs, made the alternative to the canal — the expensive, time-consuming 5,000 nautical miles around the Cape of Good Hope — economically rewarding.

After mines, along with tanks and other military vehicles from two wars, were cleared from the bottom of the canal, the SCA embarked upon a four-year, \$1-billion to \$3-billion expansion plan to court these new, larger ships. When the SCA, under the chairmanship of Mashour Ahmed Mashour, completed the first phase of the project in December 1981, yearly revenues from the canal had tripled from \$647.6 million before the Mideast wars to \$220 million. "We are now able to handle every type of ship other

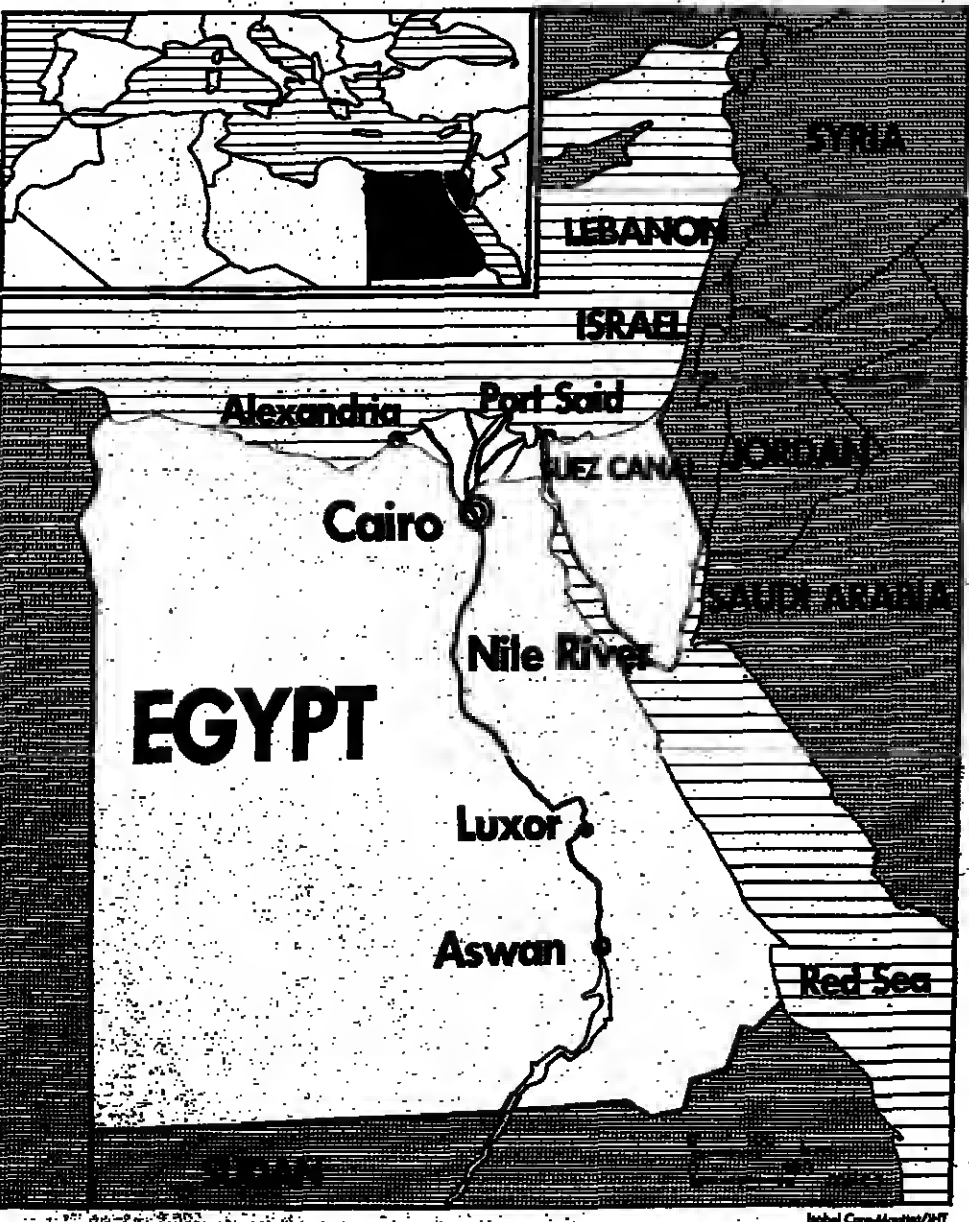
than the largest oil tanker," Mr. Mashour said.

The new income provided a boost to Egypt's war-drained economy, and reconstruction work in the three major cities along the canal — Port Said, Suez and Ismailia — gave the country a psychological push as well. The Suez Canal can now take ships of 150,000 tons fully laden, 250,000 partly loaded and 370,000 in ballast. The draft capacity has been increased from 38 feet (11.5 meters) to 53 feet.

In addition to dredging, the SCA straightened some curves and created four bypasses, primarily to aid the passage of supertankers. But the slump in world shipping traffic, a byproduct of the oversupplied oil market, led the SCA to announce in late April that it would postpone the second phase of the project.

Mr. Mashour said the SCA would wait until 1985 or early 1986 to draw on loans provided by the Japanese, the World Bank and Gulf countries for the \$200-million project. When the project is finished, the Suez Canal will be able to handle ships twice as large as those it now takes.

"Phase Two will be executed only for the sake (Continued on Following Page)



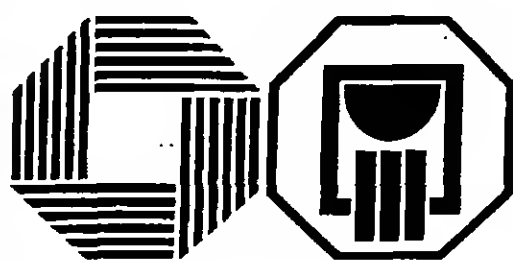
BASIC DATA

Area: 1,000,235 square kilometers, with the inhabited area being only 35,168 square kilometers. Population: (estimated December 1981) 44,000,000. Agriculture: Cotton continues to be the most important export, but sugar cane, onions, potatoes and citrus are sold extensively to overseas markets.

Economy: Major industries: textiles, chemicals, steel, cement, fertilizers, motion pictures. Minerals: oil, phosphates, slate, iron, manganese, cement, gold, gypsum, kaolin, titanium. Crude oil reserves (1980): 3.1 billion barrels. Crude steel production (1979 estimate): 800,000 metric tons. Labor force: 50% are agricultural workers. Gross Domestic Product per capita (1978): \$400. Imports (1979): \$3.84 billion; partners (1978): U.S. 16%, West Germany 11%, Italy 8%, Britain 8%. Exports (1979): \$1.84 billion; partners (1978): Soviet Union 17%, Italy 12%, United States 12%, Netherlands 5%.

Currency: the Egyptian pound (£Egy.) of 100 piastres or 1,000 millimes. 1 £Egy. = \$0.82.

EGYPT'S FIRST JOINT VENTURE BANK



**THE CHASE
NATIONAL BANK
(EGYPT) S.A.E.**

COMBINES

**THE CHASE MANHATTAN BANK'S
WORLDWIDE NETWORK**

WITH

**THE NATIONAL BANK OF EGYPT'S
VAST DOMESTIC EXPERIENCE**

To provide the highest quality
Merchant Banking services
Commercial Banking services
in Egyptian pounds and foreign currencies
for Local and International customers

**SERVICES INCLUDE: SHORT AND MEDIUM TERM FINANCING,
LOAN SYNDICATIONS, CORRESPONDENT
BANKING, LETTERS OF CREDIT, LETTERS
OF GUARANTEE, BID AND PERFORMANCE
BONDS, DEPOSITS, FOREIGN EXCHANGE,
COLLECTIONS, MONEY TRANSFERS, ETC.**

BRANCHES: CAIRO, ALEXANDRIA, PORT SAID, TANTA

EXECUTIVE OFFICES: NILE TOWER, 21-23 GIZA ST., GIZA

TELEPHONE: 726132/215/221/423

TELEX: 332 CNBKCA UN, 92394 CNBKCA UN

EGYPT

Suez Canal Income Vital to Economy

(Continued From Preceding Page)

of the super-tankers," said Abdel Aziz Dissawy, director of planning and research at the SCA. "The revenues gained at present would not cover the expenses of the project. And frankly, we don't see that the navigation of the world needs it."

The impact of the oil surplus on the canal has shown up in part as a percentage decline of net oil tonnage passing through the waterway. Shortly before the 1982 war, 72 percent of the total net tonnage represented oil shipments. In 1981, the figure was 39.5 percent and last year it dropped to 36.8 percent. The percentage is likely to fall again this year.

The decline has been offset by the recent completion of the Yanbu pipeline across Saudi Arabia. Crude oil from the pipeline is loaded onto smaller tankers and shipped through the Suez Canal.

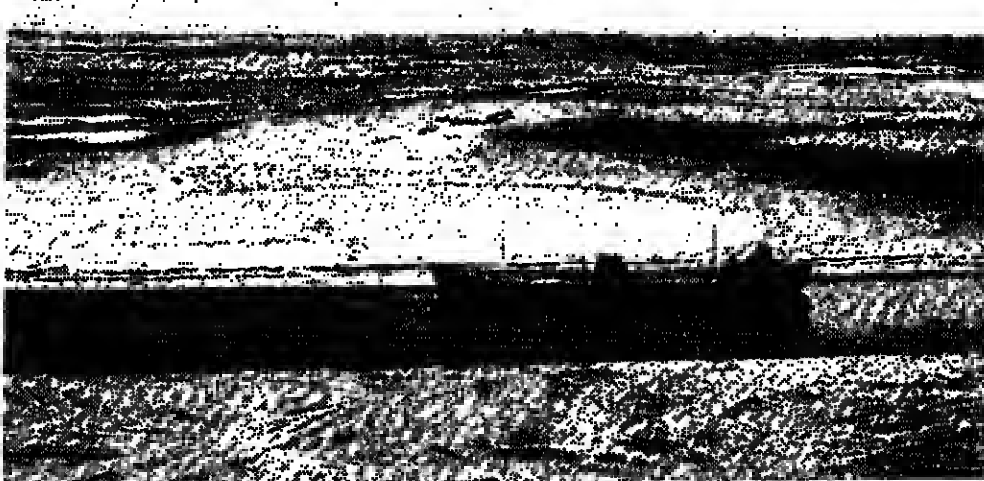
As an inducement to oil traffic, tankers pay lower tolls than other cargo ships using the canal. The gap left by the decrease in oil ton-

nage has been filled by dry cargo tonnage. The cargoes of the bulk carriers, such as iron ore from India and cement from southern Greece and Romania, "has meant a current yearly increase of 5 percent overall in net tonnage," said Mr. Mashour.

Mr. Dissawy said the only ships not allowed through the canal are those carrying nuclear material. Passage of highly toxic material is strictly regulated, he said.

The number of ships — foremost among them Greek, Soviet, Panamanian and Liberian — making the 15-hour journey has not changed much since before 1967. But net tonnage, on which the tolls are based, has increased, from 768,000 a day in 1980 to 956,000 in April 1983.

The SCA announced in 1977 that it had captured back some business lost during the closure to its competitor, the Panama Canal. About 150 Japanese ships were said then to have switched to the Suez Canal for their route to Europe.



A freighter moves across the Suez Canal.

Private Sector Seeking to Widen Economic Role Despite Restraints

By Olfar Tohamy

CAIRO — Holders of Egyptian private capital are seeking to expand the scope of their role in the economy amid the restraints of central planning and confusing signs from the government.

Despite their public commitment to an open-door economic policy, which has allowed the private sector's contribution to the economy to rise from 5 percent in the 1960s to more than 20 percent, Egyptian entrepreneurs feel that government policies and laws continue to favor an incompetent and overgrown public sector. But government officials, led by President Hosni Mubarak, continue to stress that there will be no going back on the liberalization measures started nine years ago, while emphasizing that the private sector will be encouraged to grow within the framework set by the present five-year plan.

The plan, designed to increase self-sufficiency, provides for the investment of LE3.3 billion over the next five years, including LE1.5 billion pounds during the financial year 1983-84, accounting for about one-quarter of the total for investments. The government is relying heavily on the Egyptian private sector's expansion in the fields of housing, tourism and agriculture. It also is hoping that substantial amounts of private capital, independently or in conjunction with foreign partners, will be invested in industry and land reclamation as part of its "productive" open-door policy. In addition, the government also is trying to persuade the private sector, currently producing one-third of the industrial output, to diversify and to develop, especially in the areas of textiles and garments, metal and leather products and food processing.

"I am in favor of the development of agriculture and industry," Mustafa el-Said, the minister of

economy, said in an interview. Explaining that the overriding principle of the government's economic policy is to reduce the balance of payments deficit of LE4.7 billion — for which a tilted balance of trade is largely responsible, the minister set as his goal "rectifying the balance between various sectors of the economy, where trade has grown at a rate double that of the growth of industry and agriculture... I know that many businessmen will suffer, but we must put an end to this situation," he said.

Measures were taken last year to restrict imports of luxury items and finished consumer goods and a new team of technocrats began laying the groundwork for an export-oriented economy. In an effort to limit the growth of imports to 5 percent annually and boost exports by 12 percent during the next financial year, the government took a few steps to stimulate exports by cutting the red tape involved in obtaining export licenses and offering credit facilities on a small scale to exporters. To underline its overall policy of encouraging investment in industry, the government also has set higher interest rates on loans for commercial projects, limited the rate at 12 percent for industry and reduced it to 5-6 percent for agriculture and land reclamation projects.

However, this "indiscriminate" policy, as a major importer described it, indirectly affects industrial development in Egypt as the higher interest rates, customs duties and restrictions also involve capital and intermediate goods. Medhat Karawan, an agent for several Western construction equipment manufacturers, said: "I am all for bringing the importation of apples and bubble gum to a halt, but figure out how the same rules could be applied."

Oil: Astute Policies Cushion Against Decline in Prices

By Alan Mackie

LONDON — Egypt relies heavily on oil to underpin its foreign exchange earnings. The recent slump in the oil price consequently has caused considerable worry among the country's economic planners, who readjusted the current deficit projections as the price plummeted and wondered where they were going to find the foreign exchange to meet import commitments. However, their concern has eased since two months ago when they were forced to cut the price of Gulf oil from \$2 to \$2.75 a barrel.

In fact, Egypt's petroleum managers in the Egyptian General Petroleum Corporation have been remarkably astute in their marketing and have been able to cushion Egypt from the worst of the slump. As a small exporter selling around 230,000 barrels per day (of which Israel takes 40,000), EGPC has found it relatively easy to find purchasers for small placements who wish to spread their risk.

However, a major reason for the company's success has been keeping ahead of the competition on pricing. Egypt is not a member of the Organization of Petroleum Exporting Countries, but it has been able to prime its prices to maximum effect against the OPEC benchmark. EGPC sells its oil at annual auction. Allotments are made on price and quantity bid. In times of rising oil prices, this worked to EGPC's advantage. In a seller's market, EGPC knew what its customers were offered, but set the price every three months in the light of market conditions. Since the glut, however, EGPC has had to adjust prices more regularly and be fast on its feet.

Until the end of last year Egypt had been weathering the turbulence remarkably well. Oil revenues for the two previous financial years to the end of June 1982 had been sustained at \$3 billion a year. But late last year marketing became increasingly difficult and production was cut by 50,000 barrels a day to 650,000. This preaged the slide in prices. They fell 20 percent in the four months to mid-March, and as OPEC gathered for its crucial meeting in London in late February they seemed poised to fall further, with incalculable consequences for the balance of payments.

Since then, however, the OPEC agreement has sufficiently stabilized the market for the authorities to have made two small increases in the price of Gulf of Suez blend,

bringing it up to \$2.75 a barrel. Now the scaled-down revenue projection of \$2.75 billion for fiscal 1982-83 made two months ago looks reasonably secure.

Although the slide in revenues appears to have been stemmed, the surplus has played havoc with longer-term projections for production and revenues. The principal problem Egypt faces in developing an oil policy is the alarming growth of domestic consumption, which is rising at between 12 and 14 percent a year. This means that production has to increase at a minimum of 10 percent a year if domestic demand is not to start eating into the surplus available for export after the foreign oil companies have taken their production cut.

Domestic consumption now accounts for less than half the total oil and gas production of 720,000 barrels a day. Planners expect the unusually high annual increase to taper off naturally, but other conservation measures will have to be introduced if domestic consumption is not to eat up all available production within a decade. The principal target for the conservationists is domestic energy pricing. Egyptians currently pay between one-fifth and one-quarter of world prices for their energy and the hidden subsidy cost to the treasury is more than \$3 billion a year.

Fortunately, Egypt has good reserves of gas and exploitation of these reserves should cushion considerably the domestic demands on oil. Proven reserves amount to more than 250 million tons of oil-equivalent gas and, according to some estimates, this already may be considerably higher, against proven recoverable oil reserves of more than 500 million tons. Gas production accounts for about 70,000 barrels a day of oil equivalent and could account eventually for 200,000 barrels per day of oil equivalent as it is fed increasingly into the domestic energy grid.

An ambitious gas extension plan for home users is being completed by the British company William Press, in six Cairo districts. There are plans to expand the program to other suburbs and to introduce piped gas in Alexandria. Many power stations are converted to gas and gas is increasingly being used by industry. The Abu Madi field, offshore from the Delta, feeds the Talkha fertilizer plant and the textile mills of Mahalla al-Khaya. The nearby Abu Qir field feeds the newly opened fertilizer plant in Abu Qir. Gas is being fed into the

steel and cement plants of Helwan, the heavy-industry center south of Cairo. There are also plans to develop a modest petrochemical complex near Alexandria.

So far domestic demand looks like being more than sufficient for whatever amounts of gas produced. Local production, in any case, is nowhere near sufficient to warrant a natural gas liquefaction plant that would make exporting feasible. With the nuclear power program running into serious financing difficulties, the emphasis on increased gas production for domestic use will become more marked.

Until EGPC recently introduced a gas production-sharing agreement similar to that already used in oil prospecting agreements, all gas funds belonged to the government. Gas discoveries to date have, therefore, been a byproduct of oil prospecting. Nevertheless, a number of important fields at Abu Qir, Abu Madi and more recently at Rashid close by, have been discovered in the mouth of the Delta.

Because of its foreign-exchange earning capacity, the prospects for oil continue to dominate the thoughts of economic planners. Egypt can reasonably expect to find the same amount of its recoverable reserves again — about 500 million tons — which at current rates of consumption should last into the first decade of the next century. Much depends on the effectiveness of conservation measures as to how much longer oil production can be extended.

So far, recoverable reserves are keeping ahead of depletion, but not sufficiently to allow complacency. Generally, to maintain a steady rise in production, around two barrels need to be found for every one extracted. Egypt is reasonably on target for 1 million barrels per day of oil and gas production in 1985, market conditions permitting, but the problem will be maintaining, let alone increasing, this level as its two major Gulf of Suez fields, Morgan and July, which between them account for 250,000 barrels per day, begin to go into steep decline. Two 100,000-barrels-per-day-plus fields are being developed by Mobil and a BP-led consortium, close to each other in an area 70 kilometers north of the Red Sea resort of Hurgada. EGPC will need a couple of fields of similar size in the near future to feed comfortably about production projections beyond 1985.

Development of Sinai

(Continued From Preceding Page)

apartments to be ready in two years. A five kilometer promenade barricade cuts off the international highway and palm groves from the soft white sands.

The Sinai has more than 1,000 kilometers of warm-water beaches, and the Mediterranean coast is set to become the "Egyptian Riviera" for overland travelers, as well as for summer vacationers from Cairo and Tel Aviv.

South of Eilat and Aqaba is some of the best scuba diving in the world, according to the Israeli developers who built tourist villages in Nuweiba and Dahab and three hotels in Sharm el-Sheikh, on the point of the peninsula.

Mr. Abu Zaid said that Chab Mediterranean, the package-tour group, has approval to build three 250-bed complexes between Dahab and Sharm el-Sheikh. The ministry goal is to promote private hotel building with capacity for 5,000 to 10,000 tourist beds per night, which at economic occupancy rates means more than one million bed nights per year. The total government investment will be LE3.245 million.

The presidential residence of the late Anwar Sadat at Wadi Raha near St. Catherine's monastery will

be converted into 120 chalets. The monastery is situated near Mount Sinai, where Moses is said to have received the Ten Commandments. Pilgrims now stay in rough monastic huts.

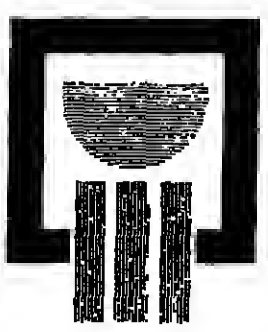
Iqith, a West German management firm, is to begin running a 150-room "Margot" in Al Arish this summer. Two tourist villages and 30 chalets, to be called the "Star of Sinai," are planned. Along the west coast, one tourist complex will be built at Ras Melaab and another north of Ras Mohammed.

Although investors seem to see the most potential in the tourist sector, the government is more interested in agricultural development as a way to absorb the expected population growth. New hotels may provide an additional 4,000 to 8,000 jobs, but the reclamation of 200,000 acres of land could make openings for 40,000 new farmers.

Officials recognize that because of the poor soil and the cost of bringing in water, traditional crops cannot compete with Nile Valley agriculture. Using fertilizers, new irrigation methods and selected crops, however, cooperative farming still can be profitable. The pen-

(Continued on Page 125)

NATIONAL BANK OF EGYPT



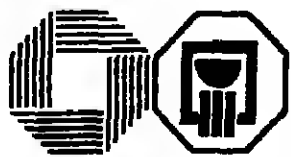
Founded in 1898

- * Egypt's oldest and largest bank.
- * Ranked 269 among the largest 500 banks of the world in 1981.
- * The first bank to support the open-door policy.
- * Has participation in 55 joint venture projects.

The following are NBE's financial highlights:

	30th June, 1981	30th June, 1982
	LE. Million	LE. Million
Total Assets/Liabilities	3,375	4,006
Deposits	2,161	2,364
Capital and Reserves	85	108
Loans, Advances & Bills Discounted	1,437	1,782

Its Banking Subsidiaries



Chase National Bank-Egypt



Crédit International d'Egypte



National Société Générale Bank

- * Group performs all commercial banking services domestically through 167 branches and internationally through its London branch and more than 1,000 correspondents.
- * Group resources over LE 4.5 billion.

Address: 24 Sherif Street, Cairo.
Telephone: 744022 - 744175 - 744217.
Telex: 92238 NBE UN
92832 NBE UN
92911 NBE FX UN
327 NBE CRO UN

London Branch
2 Honey Lane (Off Cheapside),
London EC2V 8BT
Tel: 726 4230 - 726 4237
726 4238 - 726 4239
Telex: 894735 - 894736



البنك الوطني للتنمية

national bank for development NBD

Incorporated in Cairo, Egypt in 1981.

and the National Banks for Development in the Governorates.*

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 1982.

ASSETS	in million Egyptian pounds
Cash and Banks	307.6
Loans and Advances	155.7
Investments	29.8
Other Debit Balances	13.9
Fixed Assets (after depreciation)	6.5
Total Assets (before contingent liabilities)	513.5
Contra accounts	246.8
Total	760.3
LIABILITIES	
Customers' current & deposit accounts	199.0
Due to Banks	220.1
Profits	12.2
Other credit balances and provisions	14.6
Total shareholders' equity	67.6
Total liabilities (before contingent liabilities)	513.5
Contra accounts	246.8
Total	760.3

NBD'S INVESTMENT BY SECTOR

Food security sector	(six companies)
Housing and construction sector	(two companies)
Industrial sector	(five companies)
Agricultural sector	(two companies)
Service sector	(four companies)
Banking sector	(sixteen banks)

FURTHER, THERE ARE MORE THAN TWENTY PROJECTS IN OUR PIPELINE NBDs were established in 15 different governorates to promote local development. These Banks are located in KALIOUBIYA, SHARQIYA, GHARBIYA, BEHEIRA, KAFR EL SHEIKH, DAMIETTA, ISMAILIA, PORT SAID, GIZA, FAYOUM, MINYA, ASSIOUT, SOHAG, NORTH SINA AND MENOUEIYA in addition to KHARTOUM National Bank for Development in SUDAN.

Head Office: 48-50 Abdel Khalek Sarwat St. - Cairo
Tel: 933331-933559 Telex: 94089 NBD-94090 NBD UN
P.O. Box 647

Branches: Abdel Khalek Sarwat-Zamalek-Bab El Louk
Helwan-El Azhar-Kasr El Nil

*for an average operating period of 7-5 months.

EGYPT

Banking: Reasons For a Wider Role As Area Center

CAIRO — With the outbreak of the Lebanese civil war eight years ago, Cairo moved briefly into the financial limelight as a possible alternative to Beirut as a regional banking center. Its potential for such a role was explored again at some length at an international conference on capital market development held in Cairo from May 17 to May 19.

Muhammad Nabil Ibrahim, the deputy chairman of Bank Misr, one of the four nationalized banks in the country, enumerated the prerequisites that Egypt satisfied for being a world financial center in the Middle East and Africa. He pointed to the stable economic and political conditions, the government's policy of encouraging and protecting investment, together with tax breaks and protection against confiscation.

Mr. Ibrahim also spoke of the investment opportunities and the absorptive capacity of the Egyptian economy, the availability of securities, Egypt's increasing importance in the financial world, reflected by the growing number of foreign banks operating in Egypt, with the resulting mix-off in terms of specialization of the local banks, the presence of the money market and the increasing savings. He said that the clear-cut credit policy, good communications and infrastructure, high living standards for expatriate workers and skilled technical personnel all contributed to a healthy investment climate.

The number of banks operating in Egypt has risen from half a dozen in the early 1970s to 78 in 1983. These include the central bank of Egypt, which controls banking operations in Egypt, the four public-sector banks — National Bank of Egypt, Bank Misr, Bank of Alexandria and Banque de Cairo — as well as specialized banks, investment banks, joint-venture commercial banks, Egyptian-owned banks, multinational offshore banks, including the Arab African International Bank and representative offices of foreign banks.

Inevitably, the influx of foreign banks with greater technological and managerial know-how has raised the standard of Egyptian banking. But despite Mr. Ibrahim's optimism, some speakers at the international capital market conference expressed doubts about

Tough Decisions Needed to Reduce Food Gap

CAIRO — Agriculture, neglected during Egypt's small oil boom, has become a development priority, but Egyptian experts and Western advisers say tough policy choices and years of effort will be needed to close the country's widening food gap.

The gap between what Egypt produces and what Egyptians eat is widening fast. Until 1974, Egypt had an agricultural surplus, but now Egypt imports nearly half of its food, including staples: wheat, flour, cooking oil, sugar, beans, lentils, red meat, poultry and dairy products.

The cost, nearly \$3 billion, is a major budgetary strain. The trend will be difficult to break. After 1974, the growing demand for food (Egyptians lead the world in wheat consumption) was paid for (and masked in accounting) by the country's rising revenues from oil and services.

Meanwhile, Egypt, like many other oil-exporting countries, neglected farming badly. In the last decade, agricultural investment increased on average 2.5 percent a year — the lowest rate for any sector.

The three most lucrative export crops — cotton, rice and oranges — all declined.

A principal factor was the government's attempt to continue holding down administered prices. "Long periods of depressed prices encouraged successful farmers to evade government regulations and, even foregoing government assistance programs, to profit from shifting to crops free of price controls," a U.S. expert said.

With the profitability of farming so limited, even remittances from Egyptians working abroad were spent on homes in rural areas, not on upgrading farms.

The new emphasis of the Mubarak government on production includes some promising initiatives in the agricultural sector.

Farm-gate prices — those paid to the peasants — have been raised on wheat, rice and corn. This step reverses a decades-old policy of forcing farmers to sell their crops to the government at below-market prices to provide cheap food for city-dwellers. Production increases followed quickly.

Other problems are more intractable. But an influential young Egyptian agricultural official — who asked not to be identified because bureaucratic struggles continue — said

U.S. AID Goals: Record Program, Maximum Impact

CAIRO — Egypt is the beneficiary of the United States' biggest civilian aid program, roughly \$1 billion a year.

Much of the aid goes for Egyptian imports of Midwestern-grown wheat and other commodity imports from the United States that have carried Egypt through lean economic times and undoubtedly helped protect the country's stability following the Egyptian peace treaty with Israel.

The scale of the U.S. program, however, also has raised numerous questions: Is U.S. aid politically effective? Can aid be channeled to stimulate the private sector in a mixed economy heavily weighted in favor of government-run enterprises? In the end, who is the best judge of how best to allocate aid — the donor or the recipient?

All of these questions preoccupy Michael P. Stone, a 57-year-old California business executive who became director of the U.S. AID mission in Cairo last August, bringing a businessman's emphasis on quick results to the job. Mr. Stone, who combines a relaxed manner with blunt talk, was quick to criticize publicly some of the programs that he has inherited.

"Egyptians are doing a little better because we're spending a billion dollars a year because Sadat turned to the West," Mr. Stone said in an interview, adding that some hints of change make him "remain optimistic" that Egypt — by a combination of aid and its own efforts — can reverse the current bad economic trends.

But Mr. Stone wants to make some changes in light of his experience. In particular, he wants to reverse the policy of his predecessor, who held the post nine years, of injecting U.S. aid into hundreds of Egyptian activities, from buying cigarette tobacco and hamburger meat to installing power plants and buying buses.

"All this had to be done; nothing had been repaired in this country for 20 years," Mr. Stone acknowledged in his soft-spoken way. "But I'm not sure that enough Egyptians realized the extent of our help." He wants fewer, bigger, more quality projects — with more impact on Egyptian imaginations.

In blunter terms, the United States is looking for a way to trump the Soviet-built Aswan Dam, which regulated the flow of the Nile River and literally electrified millions of peasant's homes.

Ironically, the U.S. AID program is embarking on a \$100-billion project to save the Aswan Dam by repairing vital turbine parts that are wearing out. The ruovers — three-meter-wide mounts holding the blades in the turbines that generate electricity at the dam's base — are starting to crack, and their replacement by Allan Chalmers over the next six years will save Egypt from massive blackouts.

Yet, the United States has found no counterpart for the Soviet Union's Aswan Dam. Controversial, it nonetheless is a permanent reminder to Egyptians of the tangible advantage of Soviet friendship. Today, to Egypt, Japan — whose aid is a fraction of the U.S. contribution — is lavishing its help on the reconstruction of the Cairo opera house. Needed or not, the rebuilt opera (replacing one that burned down under Sadat) will be a reminder of Japanese generosity, diplomats said. China, for example, is building a massive friendship hall in Cairo for similar propaganda reasons.

Casting around for a similarly spectacular U.S. project, Mr. Stone tentatively favors a U.S.-built highway to Aswan. Upper Egypt would be opened wide for tourism and for farming, because produce could be trucked easily.

The more spectacular the project, however, the more discussion it is liable to engender both inside the U.S. bureaucracy and between U.S. and Egyptian officials.

For the moment, there is general accord. The bulk of U.S. help serves to fill Egypt's lack of hard currency to import food, and President Hosni Mubarak's visit to Washington last winter produced a new U.S. commitment: \$200 million a year for five years to improve sewage drainage in Egypt and particularly in Cairo, where the lack of sanitation has attained crisis proportions.

This commitment covers about half of the project funds available to U.S. AID annually in Egypt, and sewage is widely recognized as an urgent problem that U.S. technology can solve.

Yet, there are real conflicts between what Egypt wants and what

Up to 3.5 Million Workers Abroad

By Alice Brinton

CAIRO — The number of Egyptians working abroad has been estimated at between 1.5 million and 3.5 million. The Ministry of Immigration, as well as Egyptians abroad, cite the higher figure. Most of these Egyptians work in the Gulf states, particularly in Saudi Arabia.

Statistics concerning information on Egyptians working abroad are almost non-existent, and the ministry is the first to admit this. It has said, however, that at least 1.25 million work in Iraq, 800,000 in Saudi Arabia, 200,000 in Kuwait and 300,000 in Libya.

According to Albert Baroum Salama, the immigration minister, the immigration trend started in earnest about 25 years ago. At that time it was mainly limited to skilled technical professions such as medicine, teaching and engineering. Today, Mr. Salama said, the numbers of Egyptians going abroad to work has expanded to include all types of workers, skilled as well as unskilled, from construction workers and agricultural laborers to engineers, university professors, bankers, doctors and architects.

The large number of Egyptians working predominantly in the Organization of Petroleum Exporting Countries generates a great deal of hard currency, and remittances from abroad is one of the most important sources of foreign exchange.

Officially recorded remittances are in the form of foreign exchange from Egyptian currency through the banking system, as well as "own exchange imports." The "own exchange market" was introduced in 1974 in order to allow privately held foreign exchange to be traded and used to finance imports, usually by the private sector, although the public sector also draws on the "own exchange market" to finance import commodities, such as foodstuffs, construction material and agricultural machinery.

The central bank's report for 1981-1982 puts total remittances from Egyptians working abroad — that is money transfers and "own exchange" imports — at \$1.714 billion, against \$2.567 billion in 1980-81. But the decline in officially measured remittances is misleading. The drop in these figures can be explained by the widening gap between the official rate, 84 piastres to the dollar, and the free market rate, about £Egy.1.10 to the dollar. As one foreign banker said: "With the free market rate currently adding about 30 percent more spending power to the dollar, Egyptians returning from work outside of Egypt are getting smart. They bypass the official banking system and go straight for the free market where they will get more pounds for their dollars. But simply because the money they bring in goes unrecorded by official channels it does not mean there is a drop in remittances. In fact, bank figures belie the truth that remittances are a very important source of foreign exchange here."

An official at the Ministry of Economy gives an example of how an Egyptian laborer returning to Egypt after a year's work in the United Arab Emirates will bypass the banking system and instead feed into the "own exchange market." The laborer lands in Egypt, he said, with a check made out to him for \$2,200. Instead of depositing the check in a bank or changing it for cash (at the official rate), the laborer will go back to his village and wait for a "money broker" to turn up. The broker will pay cash in Egyptian pounds for the endorsed check at an agreed-upon free market rate of, say, £Egy.1.08 to the dollar. The broker will then take the laborer's endorsed check, along with any others he has purchased, to a bank where he will deposit them, thus finding himself with a cash fund of perhaps \$10,000. As soon as he finds an importer who needs foreign currency to finance

his imports, the broker will sell him dollars from his fund at the rate of £Egy.1.10 to the dollar, thus ensuring his profit. With the Egyptian pounds he receives from the importer, he will go back to the villages and begin the process over again.

The practice of bartering checks for cash is not entirely a legal one, but the government tends to look the other way. "We would rather have money coming in regularly, even if it does not go through official channels, than take measures that would cause hard cash supplies to dwindle," Mr. Salama said. Critics counter with the retort that the trouble with the system is that hard currency comes in, only to go out again for imports of luxury items, thus depriving Egypt of any long-term benefit.

Recent government measures to curb the importation of luxury items deemed unnecessary have been welcomed by expatriate Egyptians as a way to put foreign currency remittances to better use. The practice of Egyptians going abroad to work has a dual impact on Egyptian society. It has caused a shortage of some skilled workers and technicians and has been a drain on agricultural laborers.

But, Mr. Salama said that it has a positive effect on keeping unemployment down and contributing, however slightly, to population control. He puts the total remittances figure for 1983 at about \$4 billion. He said that about half of this sum will not go through official channels.

The current worry is that reduced OPEC revenues, due to the world oil surplus, will lead to a reduced demand for Egyptian workers abroad and, thus, to a reduced flow of remittances. There is no evidence that this will happen, however, and Mr. Salama waved the possibility aside entirely.



Egypt

is where
more than anywhere
Time and Place
merge into one magic meaning
which — like a sudden beam —
lights up those mysteries
which have forever stirred
the spirit of Man.



بنك الدلتا الدولية

DELTA INTERNATIONAL BANK

1113 CORNICHE EL-NIL, CAIRO (ARE)

A private joint stock company established on October 21, 1978, according to Investment law 43 as amended by law 32 of the year 1977. Started activities on January 1, 1979 with the object of contributing to the development of the Egyptian and Arab economies.

The Bank deals in both local and foreign currencies.

Authorized Capital 20 Million US Dollars
Paid Up Capital 15 Million US Dollars

Statement of Account as at 31/12/1982

Liabilities	(Million Dollars)
Current and Time Deposits	217
Due to Banks and Correspondents	120
Capital and Reserves	20
Assets	
Loans and Advances	139
Cash and Due from Banks and Correspondents	225

Correspondents all over the world
Branches:

- Head Office & Main Branch**
1113 Cornish El Nil, Cairo
Tel: 753484 - 753492
Telex: 93833 Delta UN -
93319 DIB UN.
P.O. Box 1159
- Alexandria Branch:**
95 Cornish St., Borg El
Selsala Building, Azorita
Tel: 21545 - 21546
Telex: 54580 DIB UN
P.O. Box 2450 Alexandria
- Tanta Branch:**
12 Ahmed Maher St.,
Tel: 6163
Telex: 54246 DIB UN
P.O. Box 280 Tanta
- Menia Branch:**
Mahmoud Fahmy El
Nokrashi
P.O. Box 24, Menia
Tel: 300
- Dokki Branch:**
22 Abdel Hussein
Rostom St.,
Tel: 714175 - 717080
- Suez Branch:**
2 Luxor St.,
Tel: 3888

EGYPT

Foreign Investment Is at Crossroads

CAIRO — Foreign investment in Egypt is at a crossroads, with the flow of foreign capital slowing down and shifting gradually to enhance the developmental impact of the open-door economic policy started nine years ago.

Foreign investment in the form of branches of foreign companies or joint ventures with Egyptian private or public sector partners has injected the equivalent of \$15.5 billion into the economy, or 37 percent of the capital invested under the new investment regulations. According to official figures, the rate of growth of foreign capital investment in Egypt has dropped over the last two years to an average rate of less than 10 percent annually.

Analysts agree that this is partly due to the limited opportunities for expansion in traditionally attractive sectors of the economy, such as oil production and banking, and partly due to the government's firm attitude

toward investors seeking to make use of the incentives offered by the investment laws, rather than meet the demands of the Egyptian market. The new trend could spell trouble for the government, which is counting on foreign capital to provide 40 percent of the financing for an ambitious 1982-86 development plan.

Gamal el-Nazer, the former minister of investment at the outset of the open-door policy, said that he believes the government should emphasize quality rather than quantity at this stage. "At the beginning we were seeking both foreign capital and advanced technology," he said. "The capital has been made available, but not the technology." The latest statistics reflect this and show that most foreign investors preferred banking, construction and tourism to telecommunications and transportation.

Experts believe that despite its size, foreign investment in Egypt has had a minimal im-

pact on the improvement of manpower skills or the development of a sound marketing climate.

General Motors recently reversed a tendency to protect major industries monopolized by the state-financed public sector by obtaining a license to manufacture trucks, buses and passenger cars. It also overcame political sensitivities, which have in the past prevented multinationals from operating in Egypt.

Experts expect foreign investment to stabilize in the near future, and they said that more effort will have to be expended to persuade local and foreign investors — currently benefiting from the tax holidays and preferential treatment secured by the prevailing investment laws — to fund specific projects mapped out in the five-year plan. A special effort will have to be made to convince more than 2.5 million Egyptians transferring home about \$1 billion annually to add their savings to strengthening foreign capital, they said.

—OFAT TOHANY

Government Sets Measures to Cut Red Tape

CAIRO — Egypt, in a bid to stimulate private and foreign investment, has ordered a new cabinet minister to cut the red tape that snarls new business in Egypt.

The minister of investment affairs and international cooperation, Wagi Shindi, a 48-year-old former international banker, faces a daunting assignment: to overcome the infighting and obstruction of one of the world's oldest bureaucracies. Mr. Shindi said that President Hosni Mubarak is personally supporting changes — nothing short of revolutionary, if they materialize — to stimulate investment.

Starting this month, all investment matters have been put under the authority of Mr. Shindi's ministry to form a "single-door system" for potential investors, and Mr. Shindi said businessmen can expect a final yes-or-no decision within four months.

Mr. Shindi, in an interview, said that an even more ambitious change is planned: a government-guaranteed package providing the investor with land, utilities and import regulations needed for an approved project.

A bitter complaint among businessmen in Egypt is the frequency of situations in which a proposal is approved by one ministry while a second ministry withholds the approval necessary to implement some part of it. The Cairo subway, for example, is a major national project, but the French contractors nearly incurred multimillion-dollar penalties for delay because local officials refused to permit excavation in a main city square — a deadlock only broken when the prime minister intervened personally.

Mr. Shindi, pressed on this prob-



Wagi Shindi

lem and his proposed solution, acknowledged that "some problems are outside my domain, but we are seeking a situation in which an investor deals only with us for approval and for land, electricity, water, sewage and the rest, and President Mubarak is behind this idea of a package."

Streamlining the investment process is deemed essential by officials if the government is to achieve its target of outside financing. "At most 40 percent of the investment in the five-year plan until 1986 is expected to come from abroad, half of it for the private sector," Mr. Shindi said at a recent meeting on expanding Cairo's capital markets.

A former chairman of the Arab Investment Bank, the minister en-

tered the government at a time when Law 43 (regulating foreign investment) is clearly failing to attract enough new productive projects for Egypt.

Experienced businessmen in Cairo, who recall many unfulfilled promises by officials, will wait proof before they believe the pledge of an investment package, but even skeptics acknowledge Mr. Shindi's impressive achievements since he took office last fall in his first three months on the job — 71 joint-venture companies were approved, against only 32 during the previous nine months.

"I put myself in the investor's shoes," he said. "And, as a businessman, I want a system that provides clear, definite answers within a specific deadline and I want a policy that tells where investors are welcome and I want efficient help in getting the necessary government facilities for my business." The new plan for investment approval is designed to provide this smooth approach, ending the lack of coordination between ministries, the lack of local authorities' cooperation, slow customs clearance and frequent changes in regulations on imports.

The new procedure, Mr. Shindi said, will provide a final decision promptly from a ministerial board chaired by himself.

Asked about another frequent business complaint, that public-sector companies manage to persuade the government to hamstring private companies that represent a competitive threat, Mr. Shindi said that his goal was clarity on the is-

sue: "Ask us, and if we approve, then the idea is going to work."

"The investment authority from now on is the only authority on new companies," he said, adding that presidential backing for this approach was evident from an unprecedented meeting last month between Mr. Mubarak and prominent Egyptian businessmen.

Reassurances offered by Mr. Shindi to attract the kind of long-range industrial and agricultural investments that Egypt wants included a firm promise: "No measure will be retroactively harmful; there will be no repeal of prior conditions," he said.

The appearance in Egypt of major U.S. firms — including General Motors, Gillette and Xerox — was cited by Mr. Shindi as proof of an irreversible improvement in the business climate. U.S. companies still account for less than 5 percent of private investors in Egypt, he said, and Japan for even less. "But once they decide, and there are signs of movement, then they really act," he said.

Meanwhile, he said, Egyptian funds account for 65 percent of investment and Arabs for 20 percent. "Arabs are traditionally interested in real estate and hotels, but the pattern is changing in Egypt and we expect soon to see substantially more funds coming from the Gulf," he said.

Among Europeans, who account for about 5 percent of foreign investment, Mr. Shindi singles out the French and Swiss, with 50 and

(Continued on Following Page)

Delivery, based on expertise, experience and resource.

بنك أبوظبي الوطني
NATIONAL BANK OF ABU DHABI

U.A.E. Head Office: P.O. Box No. 4, Abu Dhabi, United Arab Emirates. Telephone: 335262. Telex: 22266 MASRAF.

Regional Office: 1113 Kornah El Nil, Cairo. Telephone: 753194. Telex: 93622 BNZABUN.

Abu Dhabi, Ajman, Al Ain, Alexandria, Bahrain, Cairo, Doha, Dubai, Fujairah, Khartoum, Khor Falcán, London, Muscat, Muttrah, Paris, Port Said, Port Sudan, Ras Al Khaimah, Sharjah, Singapore, Tokyo (Rep. Office), Tunis, Washington D.C. Abu Dhabi International Bank Inc. (ADIB) a wholly-owned subsidiary.

The Stamp of Security in Middle East Banking



The AAB's structure can offer you stability and security. Backed by the governments of Kuwait, Egypt, Iraq, Algeria, Jordan, Qatar, and by financial institutions in Saudi Arabia, the AAB group has proved to be a reliable and powerful bank with Middle East expertise and international connections. The AAB's structure can offer you stability and security. The AAB group provides comprehensive banking services in the Middle East, and reliable connections with the rest of the world through its network of branches, subsidiaries, associates and representative offices.



البنك الأفريقي العربي
arab african international bank

Food Gap: Decisions Needed Now

(Continued From Preceding Page)

U.S. experts said major demonstration programs have shown that cheap, simple technology can boost yields by 200 or 300 percent — especially for lucrative horticultural crops, including early vegetables and even flowers.

Land reclamation, these experts said, is expensive and "disappointing" in results. Almost 400,000 hectares of "new lands" have been reclaimed, adding 13 percent to Egypt's farmlands. But they account for 2 percent of production. Much of the new land has been quickly lost again to urban sprawl — one aspect of the speculative potential of the land reclamation program that make foreign aid donors wary.

A related policy debate is whether Egypt should concentrate on food in the form of import substitution or pursue what economists call its "comparative advantage" and thereby profit from its climate to export citrus fruit, early vegetables and even flowers, which could pay for its food imports.

Basic issues are at stake, particularly as long as the subsidy system stays intact. Many Egyptian farmers, for example, raise herds of cattle — scarcely a grazing clue in a country short of grazing land.

Such farmers manage, the Egyptian official said, by feeding highly subsidized bread, which is sold for human consumption, to livestock and poultry, thus artificially expanding herds of cattle. The beef, subsidized by the Egyptian budget, is sold in expensive Cairo restaurants.

Despite these problems, there are individual success stories: the Egyptian-American Agriculture Company in upper Egypt, a privately owned joint venture that has planted 240 hectares, said it was exporting tomatoes profitably to Europe.

To create incentives for more Egyptian farmers to produce for export markets in the Gulf and the Mediterranean, experts said, will require the government to dismantle more controls and provide training in new techniques, notably by using Egypt's trained agronomists to provide local instruction in the way rural extension services helped revolutionize U.S. farming after the 1930s.

Even with a liberalized approach and aggressive programs of farmer training, a U.S. expert said, it could take at least a decade to turn around the widening food gap.

—JOSEPH FITCHETT

THE NILE BANK

In Egypt where the Nile River is the source of life you will find the Nile Bank to help and advise you whenever you do business. The Nile Bank offers you all perfect banking services.

* Authorized Capital: US\$20,000,000, fully subscribed by Egyptian individuals (paid up \$20,000,000) as at January 1983.

* The bank deals in foreign currencies as well as Egyptian pounds.

BALANCE SHEET AS AT DECEMBER 31, 1982
(in Million Dollars)

	1981 (15-0-83LE)	1982
Total Assets and Total Liabilities	217.4	234.5
Assets		
Cash and deposits with banks	112.1	130.3
Loans and advances	89.2	82.5
Investment at cost	6.8	8.5
Bank premises at cost	6.4	6.6
Liabilities		
Deposits and current accounts for clients	127.6	142.6
Deposits and accounts due to banks	54.8	48.5
Total shareholders equity	22.8	23.4

PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED ON DECEMBER 31, 1982
(in Million Dollars)

	1981	1982
Total income	21.5	24.9
Total expenses	15.2	17.6
Total profit for distribution	6.3	7.3

Head Office: 35 Ramses St., Cairo (Abdel Moneim Riad Sq.)
Telephone: 741417 — 743592 — 749187 — 753947 — 751105
Telex: 344 BANIL UN — 93368-785 BANIL UN
Cable: NIL BANGYPT
P.O. Box: 2741 Cairo

Heliopolis Branch: 20 Ibrahim Street
Telephone: 693598 — 869241 — 692859

El Hagez Branch: Heliopolis Zone(A), 19 El Hagez St.
Telephone: 867094

Masadi Branch: 87 Street 9
Telephone: 634480 — 635740 — 635390 — 635940

El Giza Branch: 32(a) Monrad Street, Giza
Telephone: 723350 — 723410

Offices: Cairo International Airport

Alex Branch: 8 Champollion Street (Al Azarita)
Telephone: 27022 — 964189 — 25886
Telex: NILBK 54485
Cable: NILBALEX

Alex Office: Maritime Port Free Zone (El Ameria)

El Mansoura Branch: 211 Al Gomharra Street
Telephone: 58322

Shoubra Branch: 94(A) Shoubra Street Road, El Farag Sq.
Telephone: 648749 — 648337

NEW BRANCHES:
El Mohandessin
Islamic Branch: Arab League Street (Zamalek Sporting Club)

Souhag Branch: 8 El Gomharra Street
Telephone: 24243

Tanta Branch: 24 El Gish Street

BRANCHES UNDER ESTABLISHMENT:
Aswan — Zagazig — Asht — Damietta — Port Said — El Minia — 15 May Clay — Helwan

EGYPT

Armed Forces Turn to Civilian Jobs

By Kate Finch

CAIRO — The Egyptian armed forces have moved into a peacetime role that is gradually changing the face of Cairo and its suburbs, as the men in uniform lay telephone lines and build footbridges.

The idea of using the armed forces for non-military duties came into being with the peace negotiations after the 1973 war with Israel. No longer having to face its enemy of the last 30 years, the army had a need for new goals. It had several advantages to offer the civilian world. It could provide a pool of skilled workers at a time when Egypt's skilled civilians were leaving for the high salaries of the Gulf states. And it was cheap, too (a private earns about \$14 a month take-home pay).

Concurrently with the civilian projects, a major training program has been set up to give a taste of military service. Moreover, an extensive literacy program was included to alleviate the civilian skilled-labor shortage.

The army has proved more than a match for its civilian counter-

parts. The telephone projects have been efficient and on time — not qualities generally associated with Egyptian public sector enterprises. "For the army, orders are orders, so we're bound to be more efficient," one officer assigned to civilian duties said.

For three years, the Army Signal Corps has invaded one suburb after another to dig up the streets and lay new lines. Telephones long presumed dead have sprung to life and the outer suburbs of Maadi and Heliopolis are no longer removed from the rest of the capital. Garden City, the last outpost of bad lines, on the island of Zamalek, will be tackled this summer.

Renewing telephone lines is the most eye-catching of a series of projects to which the army has turned its hand. A number of automatic bakeries have been built and put into operation, staffed by the army. The Engineer Corps has erected footbridges over congested Cairo streets, using bridge-building techniques employed to cross the Suez Canal in the 1973 war. There are plans for a major program of land reclamation, including 10,000 hectares (25,000 acres) in West Nu-

bariya, on the edge of the Nile Delta, and two thousand hectares in the desert oasis of Fayoum.

Initially, the reclaimed land will provide food to the army and their dependents. Eventually, the hope is for food self-sufficiency, with enough production to feed eight million people.

This is not the first time that the army has made forays into civilian life. Apart from the revolution in 1952, which has put ex-officers in command of politics for the last 30 years, military factories have a long history of producing spare goods for the non-military market. Since World War II, it has been common for the same factory to turn out parts for armored personnel carriers and equipment for an automated bakery.

The Ministry of Military Production controls about 10 percent of Egypt's non-military industrial output. Will the army's current success with civilian projects lead to more military involvement in the running of the country's services? The question, put to Defense Minister Abdel Halim Abu Ghazala in a recent interview, received a nega-

tive answer: "There was, the minister said, no question of the army running services like public transport, in which an officer might be giving orders to civilian employees. It appears that this kind of involvement with public life might cause friction with the army's civil counterparts."

Civilian involvement remains peripheral to the main purpose of the army, which is to defend the country, and peace with Israel has made no difference to its size of about half a million men. Plans to reduce the armed forces appear to have been abandoned soon after the assassination of President Anwar Sadat in 1981. The argument runs that Egypt needs to protect itself against the possible excesses of Libya and the threat of instability in Sudan.

Working on civilian projects, perhaps surprisingly, appears to be popular among officers, who feel that at least they are doing a useful job instead of training endlessly with no particular end in view. As a result, the civilian aid program has proved useful both for the benefits it gives the public and the role it provides for its organizers.

Red Sea: Zone of Increasing Security Interest

By William B. Quandt

WASHINGTON — The Red Sea zone — which has always preoccupied Egyptian leaders — has tangible, increasingly important economic and strategic interests.

When the late Egyptian President Anwar Sadat used to talk with U.S. officials about his foreign policy concerns, the conversation would at some point always turn to the countries along the Red Sea: Sudan, Ethiopia, Somalia, the two Yemens and, of course, Saudi Arabia. It remains a top priority for the Egypt of Hosni Mubarak, with the difference that the quality of the U.S.-Egyptian dialogue seems to have deteriorated.

What accounts for this persistent Egyptian interest in a geostrategic zone that much of the world, including the United States, seems to ignore? Part of the reason is defensive. Egypt depends for its survival on the Nile, and, thus, developments in Sudan and Ethiopia command attention. Successive Egyptian governments have taken the position that they could not tolerate the presence of a hostile regime in Khartoum. Indeed, one of the rare instances of Egyptian military intervention abroad was in 1971 to thwart a communist-inspired coup against the regime of Gaafar Nimeiri. Similarly, when Cuban troops began to arrive in Marxist Ethiopia in 1977, President Sadat reacted strongly, urging the United States to join Egypt in sending arms to Somalia and Sudan.

In addition to the long-standing Egyptian preoccupation with Sudan, Egypt depends heavily on foreign exchange earned from ships passing through the Suez Canal, so it is important to Egypt that the Bab al-Mandab at the southern entrance to the Red Sea remain open. Soviet naval facilities in Somalia before 1977, and now in Aden and on Dahlak island off the coast of

Ethiopia, are worrisome to Egyptians, even though free navigation in the Red Sea has not yet been a problem for Egypt. (During the 1973 war with Israel, however, Egypt announced a blockade at Bab al-Mandab of ships headed for Israel.)

Egypt's interest in the Red Sea acquired a new dimension after the success of the Islamic revolution in Iran in 1979. Faced with this potential threat in the Gulf, some Arab oil producers began to look to the Red Sea as a second outlet for their oil.

Nearly all of the oil produced in the Gulf is exported by tanker through the Strait of Hormuz, and some finds its way through the Red Sea to the Suez Canal and on to Europe. But with the advent of the Khomenei regime in Iran and the outbreak of war between Iran and Iraq in September 1980, some Arab oil producers began to think about the alternative — and safer — routes for their oil.

Saudi Arabia was the first oil-producing country to act with the opening of a Petrol pipeline carrying oil from the Ghawar field in the eastern province to the port of Yanbu on the Red Sea. At maximum capacity, it can carry 1.8 million barrels a day. A parallel pipe transports natural gas liquids. Much of the gas is destined for large petrochemical plants near completion at Yanbu.

Iraq also has considered the possibility of building a pipeline from its southern fields to the Red Sea in order to avoid the Iranian stranglehold in the Gulf. So far, there has been little more than an agreement in principle between Iraq and Saudi Arabia, and the current state of both the oil market and the financial condition of Iraq work against the actual implementation of the project.

If the Saudi and Iraqi plans were to be carried out, one could imag-

ine in the late 1980s that oil exports of up to 4 million barrels per day might reach Yanbu by pipeline to be loaded on tankers to pass through either the Suez Canal or the SUMED pipeline across Egypt en route to Europe. This would make the northern Red Sea an extremely important region, not only for Egypt, but also for the United States.

This latter interest is part of what led the Carter administration to explore the possibility of making use of Ras Banas, a rundown and nearly deserted Egyptian air and naval base across from Yanbu on the Red Sea. The original concept was that Washington would help Cairo to rebuild the base, and in return the United States could have access to Ras Banas in certain circumstances. From a strategic point of view, this would have placed U.S. and Egyptian military power in close proximity to the petrochemical and oil-export facilities of Yanbu. Ras Banas also could serve as a staging area for military operations aimed at the Gulf.

For these arrangements to work, however, U.S.-Egyptian relations

would have to remain close; Saudi Arabia and Egypt would have to move toward reconciliation, and the Egyptian-Israeli peace agreement would have to remain in good repair. Unfortunately, none of these conditions can be confidently assumed on the basis of current trends in the Middle East. The United States, for instance, has requested that the U.S. Congress not include funds for upgrading the Ras Banas base in the 1984 budget. U.S.-Egyptian relations have outgrown the honeymoon phase of the late 1970s and, therefore, it may be impossible to develop common strategies.

For the moment, neither Egyptian or U.S. leaders seem inclined to pay much more attention to the Red Sea. But later in the decade both countries may want to assure a degree of stability at the northern end of this strategically important Red Sea region. By that time, however, it may be too late to lay the political, economic and military bases for a sound policy that would protect both Egyptian and Western interests. From this perspective, the current squabble over funding for Ras Banas is symptomatic of a much larger problem.

Government Sets Measures to Cut Red Tape

(Continued From Preceding Page)

43 projects respectively, as the most effective, most self-reliant operators.

Mr. Shindi stressed what he sees as a change in middle markets. "Western businessmen got accustomed after the oil boom to export more and more to the area," he said. "But, mark my words, that strategy has peaked. An intelligent businessman has no alternative but to start producing in the area."

Egypt is the ideal manufacturing base, he said, citing a list of pos-

sitive factors: a big domestic market, a reservoir of trained labor, a manufacturing base with many domestic raw materials, trained technical staff, proximity to markets (12 hours by ship to Saudi Arabia), a cosmopolitan, hospitable capital with fewer constraints of language or lifestyle than many other cities in the region.

To underline his point, Mr. Shindi said that Egypt's "political relations with the Gulf states are improving and that there are no restrictions on Egyptian exports to the Gulf."

—JOSEPH FITCHETT

Economic Growth Tied to Region Oil Trends

(Continued From Page 75)

few fat cats driving Mercedes through a Cairo slum," a long-time resident said. Yet some form of miracle always has turned up.

The government, knocking down to the task, has a central problem: the issue of subsidies. Almost all Egyptians (exceptions include employees of foreign companies) get cheap government-subsidized bread, rice, tea, cooking oil, butane gas and meat.

The annual bill is \$2.4 billion — roughly the treasury's deficit. Much of these subsidized goods have to be imported, aggravating the foreign exchange crisis. And the subsidy system distorts economic decisionmaking throughout the economy. The public sector, for example, has to operate largely with subsidized building materials, which are in chronically short supply, partly because a proportion of output is siphoned into the black market, where state-owned firms are forbidden to procure.

The problem is politically volatile. Egyptian consumers have been protected from world inflation and officials are quick to mention the Cairo riots in 1977 when the Sadat government tried to raise bread prices. A similar explosion now, they fear, might provide a new lease on life for Moslem extremists, who otherwise seem momentarily under control.

Moreover, the subsidy system seemed a simple way for Egypt, with its clumsy bureaucracy, to distribute the windfall profits from

oil. Instead of making tough investment decisions, the government just gave away the profits in the form of cheap staples, allowing Egyptians to spend the money they saved on food on other consumer items. Now the reverse has happened. Without oil money, the heavy consumption is bankrupting Egypt.

But the unwieldy bureaucracy is probably incapable of the most obvious reform: retargeting subsidies to limit them to the needy.

The Mubarak approach — in this as elsewhere — has been cautious. The government has capped subsidies at their present level — a relatively painless gesture so far because commodity prices dropped last year, so more more subsidized goods were imported for the same

money. Meanwhile, however, electricity prices have been raised twice, without publicity. Some crops have been eased off the subsidy list, so farmers can be paid more for them.

Many Egyptians, especially businessmen, are impatient with what they see as uncertainty on the part of Mr. Mubarak in implementing his reforms. For example, the crackdown on corruption is part of his way of distancing himself from Mr. Sadat and also of reviving public confidence in business. But some arrests have appeared arbitrary — chilling the atmosphere among many potential entrepreneurs and the government officials with whom they must work.

"Mubarak still has not grasped the full power of his job; he has not asserted himself confidently

enough yet against the bureaucrats," an Egyptian politician said.

This uncertainty in the business climate is a major stumbling block in the government's campaign to revive the economy. It is a more elusive problem than the clearly defined political opposition that Mr. Sadat was able to remove at a stroke. While Mr. Mubarak faces fewer immediate threats, the specter of accelerating economic decay alternates in evaluations of Egypt with hopes based on the resiliency of Egyptians — many of whom are returning home from self-imposed exile.

Mr. Mubarak is respected for his diagnosis of Egypt's economic ills, his increasing readiness to hear businessmen's complaints and his candor in explaining the need for austerity and reform.

THE NILE ODYSSEY

All the glories of ancient Egypt in 8 unforgettable days... Hilton know-how

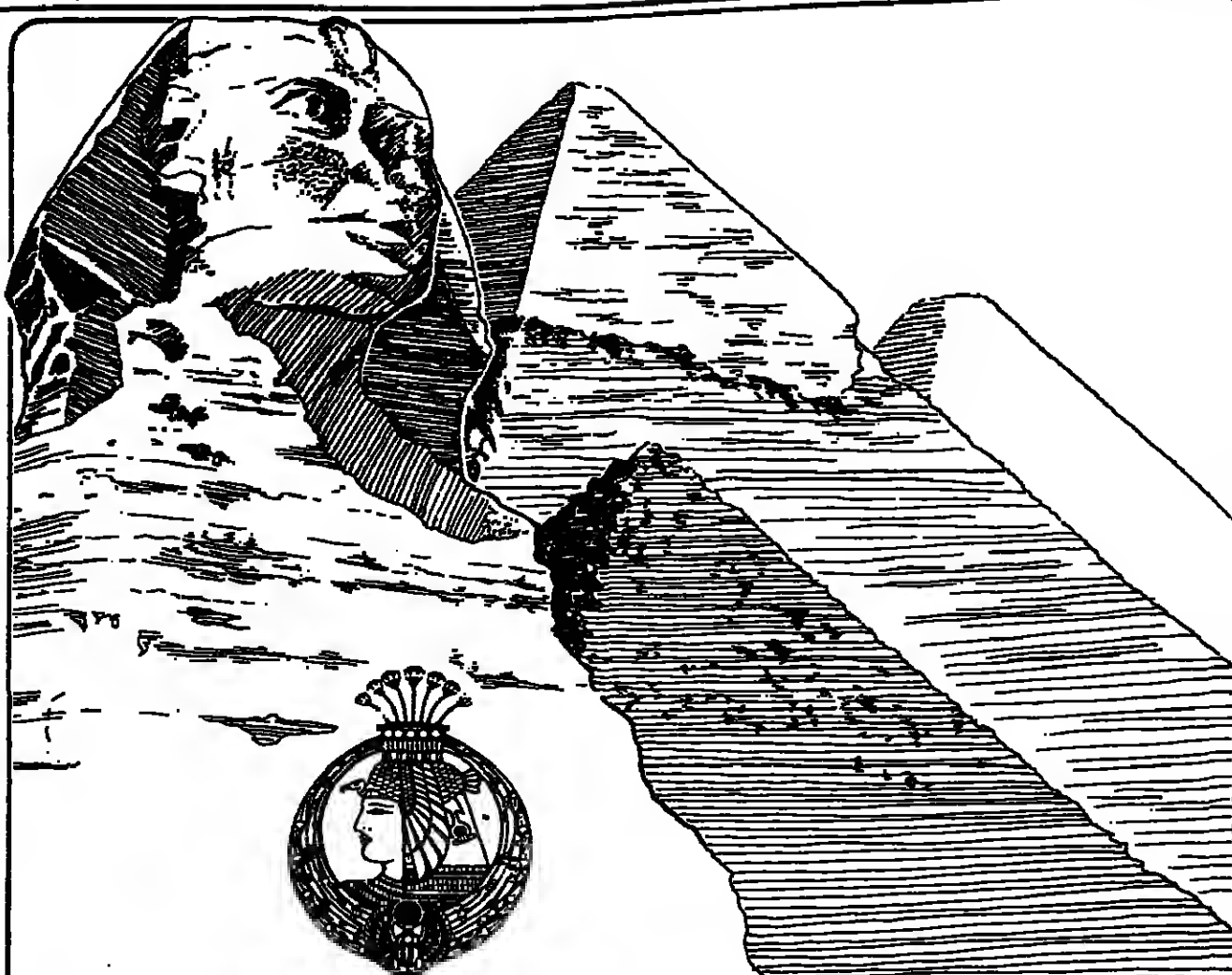
The land of antiquity — the pyramids, the magic of the Nile — the marvels of Egypt embelished by Hilton know-how. 3 nights at the magnificent Ramses Hilton. Stay when you will, before or after your cruise. The Ramses Hilton is a palace of luxury with air conditioned rooms, splendid dining in rooftop restaurants, swimming pool and terrace, night club and casino, Health Club and sauna. Only minutes from the Cairo Museum. Welcome aboard M.S. Isis or M.S. Osiris for 4 magical nights. Modern cruise ships that sail you down the

Nile in air-conditioned comfort to the wonders of ancient Egypt: The Great Temples of Karnak at Luxor, the Valley of the Kings, the Tomb of Tutankhamun, the Colossi of Memnon, the Temple of Esna and lots more. And our cruises include a visit to Abydos and to Denderah. See your travel agent today.

8 days/7 nights
Upper person (single occupancy)
May 1st - September 10th 1983 From \$389
October 1st 1983 - April 30th 1984 From \$575

HILTON NILE CRUISES

For information and reservations contact your travel agent, or to obtain a brochure and make reservations contact any Hilton hotel or Hilton Reservation Service in Copenhagen, Frankfurt, London, Madrid, Paris, Rome and Stockholm.

BANQUE MISR
300 BRANCHES THROUGHOUT EGYPT

BALANCE SHEET AS AT JUNE 30th 1982

Assets	LE	Liabilities	LE
Cash & Banks	1,298,564,000	Capital	20,000,000
Investments	190,791,000	Reserves & Provisions	61,819,000
Loans & Advances	2,315,921,000	Deposits	3,298,280,000
Other Assets	82,319,000	Other Liabilities	507,496,000
Total	3,887,595,000	Total	3,887,595,000


AFFILIATED BANKS

AFFILIATED BANKS
BANK MISR LEBANON
MISR INTERNATIONAL BANK
MISR ROMANIAN BANK
MISR EXTERIOR BANK

JOINT AFFILIATED BANKS
EGYPTIAN INTERNATIONAL BANK
SUEZ CANAL BANK
RECONSTRUCTION AND HOUSING BANK
NATIONAL BANK FOR DEVELOPMENT
JOINT ARAB INVESTMENT CORPORATION
EGYPTIAN LABOR BANK

HEAD OFFICE:

151 MOHAMED FARID STREET, CAIRO, EGYPT.
TELEX: 92242 UN, 783 UN, 92325 UN.



ARAB INTERNATIONAL BANK

CAPITAL PAID UP US \$100 MILLION RESERVES US \$110 MILLION

Five Years Figures

Year Ended	30/6/78	30/6/79	30/6/80	30/6/81	30/6/82
Deposits	851.1	912.1	1,085.3	1,276.9	1,609.3
Loans, advances and bonds	269.5	397.8	346.8	485.2	448.9
Capital, paid up	100.0	100.0	100.0	100.0	100.0
Reserves	70.0	78.0	87.0	95.0	110.0
Total balance sheet	1,064.6	1,159.3	1,352.9	1,559.2	1,918.4
Documentary credits, guarantees...etc.	382.3	265.0	222.0	240.0	404.3

(In millions of US dollars)

Head Office: 35 Abdel Khalek Sarwat Street, Cairo, A.R.E.

Cable Address: ARABINBANK.

Telex: 316-317 AIBEX UN 92079 AIB UN.

Alexandria Branch: 2 El Horreya Avenue, Alexandria, A.R.E.

Port Said Branch: 57 El Gomhoreya Street, Port Said, A.R.E.

El Tahrir Branch: 1113 Corniche El Nil, Cairo, A.R.E.

Bahrain Branch: Diplomat Tower - Road No: 1705 - Block 317, Diplomatic Area, Manama, Bahrain.

هكذا من الأهل

EGYPT

U.S. AID Goals: Record Program, Maximum Impact

(Continued From Page 9S)

The United States approves. These disagreements stem from Egypt's strong commitment to government ownership, from the persistence of huge subsidies for staple commodities and from different cultural outlooks.

Although U.S. AID is operating on instructions to stimulate the private sector, Mr. Stone said that, realistically, in a country where 75 percent of production comes from the private sector, "we're not going to change it overnight, and we shouldn't try."

"What we want is to make the state more market conscious," he said.

The U.S. AID approach is evident, for example, in the Suez Cement Company — a new set of U.S.-assisted factories designed to help Egypt reduce its heavy imports of cement. The new company is privately owned, but the existing public-sector cement companies will own shares in them — a formula designed to reduce the feeling of rivalry and also spread free-enterprise management techniques to the top levels of the state-owned companies.

The state-owned companies enjoy lavish subsidies, particularly on energy, which the new firm will have to do without, and they hope to remain competitive by better management and by gradual willingness of the Egyptian government to make the public sector operate without subsidies.

Subsidies are the bitterest bone of contention between U.S. donors and Egyptian beneficiaries. The Mubarak government is reluctant to tamper with the system even though Egyptian economists acknowledge that the government cannot afford, for example, to sell energy at one-fifth of the world price.

The quarrel over energy subsidies is so acute that U.S. officials have hinted at a two-year ban on aid to new energy projects in an effort to change Egyptian policy.

A U.S. ban already applies against helping a pet Egyptian project — reclaiming desert land to add to the country's arable surface.

U.S. officials are unconvinced by the Egyptians' results. "They claim to have reclaimed 900,000 acres (360,000 hectares), but at least 400,000 acres have been lost again to urban sprawl — and some more

has already been abandoned," a U.S. official said.

U.S. research, well advanced in Egypt, according to Mr. Stone, shows that cheap, simple technology can dramatically improve the yields of key crops — and there is where AID wants the money spent, both its own and Egypt's.

Other difficulties for Mr. Stone lie inside the U.S. operation itself.

One is the U.S. bureaucracy — which diplomats say is bloated — spawned in Cairo to administer the AID program. The nearly 350 employees, many of them auditors, added to the pressure, finally successful, to build a massive new embassy. Construction has already started on a 19-story tower along the Nile that is sharply criticized by many politically sensitive diplomats.

It's the wrong symbol in a country where we want to be friendly and supportive, not overbearing," a diplomat said. Another problem is the lack of success encountered by the U.S. mission in Egypt in trying to stimulate the private sector — as sought by the Reagan administration.

There is no sign that the balance will substantially change as private-sector growth increases. President Hosni Mubarak has made it clear that there is no question of dismantling the public sector. The promise is backed up by the 1982-1986 five-year plan, which gives state industries a central role in the economic order.

Out of total industrial investments of \$2.5 billion in the plan, \$2.2 billion is destined for the public sector. Of this, \$2.2 billion is allocated for renovating and replacing antiquated equipment and \$2.2 billion for new projects.

After a decade of comparative neglect, the public sector is actually expanding to become the government's main engine for growth," an Egyptian economic consultant said. Part of the renovation plan already has been accomplished, leading to convincing production increases. For example, the near-completion of a project to renew the vast Mehalla textile plant, assisted by the Agency for International Development, has, according to Mohamed el-Gharabi, the industry minister, helped to push up textile production by 16 percent in the first nine months of this financial year.

Many prices, like those of soap, pharmaceuticals and butane gas, have stayed almost the same for 20 years. Meanwhile, inflation has spiraled and the Egyptian pound has plunged. Each year, as industrial costs rise, bigger government subsidies have to cover the shortfall.

A substantial price rise for a basic product is out of the question, for fear of causing political discontent. The prices of cars and soft drinks have risen recently, but only because they are, relatively speaking, luxury goods.

"The public sector has also been the victim of politics," said Heba

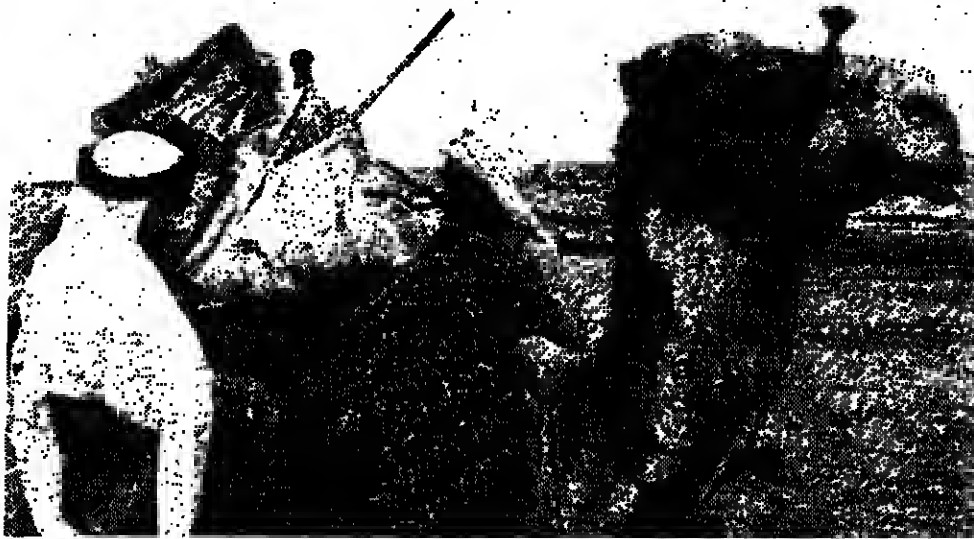
Handouza, a lecturer in economics at Cairo's American University, who also acts as an adviser to the Ministry of Industry. "It has almost been destroyed by the insistence that prices be kept low."

Equally pernicious are policies that provide energy to public-sector industries at next to nothing. This, U.S. economic analysts say, distorts the whole pattern of investment in industry, throwing real costs out of line.

Harassed to the point of prices is that of wages and employment, again an issue that politicians prefer to push to one side. The public sector is massively overmanned and absurdly underpaid. Until recently, all graduates were entitled to work with state industry, whether there was a job to do or not. Once taken on, employees cannot be dismissed. Overemployment, allied with price controls, and the consequent necessity to keep costs as low as possible, mean that pay in the public sector stays low.

Leaders of public-sector industries have spent the last five years complaining about price controls, but to little effect. Instead, debate on reform has mainly concentrated on problems of management — how much autonomy individual companies should be allowed and whether a new layer of authority should exist between the companies and their controlling ministries.

— KATE FINCH



Young Bedouins load a camel in the Sinai desert.

Public Sector Is Still Thriving Decade After 'Open-Door' Policy

CAIRO — It has been nearly 10 years since the Egyptian government opened the door to economic liberalization and today the public sector is thriving and responsible for almost 80 percent of industrial output.

There is no sign that the balance will substantially change as private-sector growth increases. President Hosni Mubarak has made it clear that there is no question of dismantling the public sector. The promise is backed up by the 1982-1986 five-year plan, which gives state industries a central role in the economic order.

Out of total industrial investments of \$2.5 billion in the plan, \$2.2 billion is destined for the public sector. Of this, \$2.2 billion is allocated for renovating and replacing antiquated equipment and \$2.2 billion for new projects.

After a decade of comparative neglect, the public sector is actually expanding to become the government's main engine for growth," an Egyptian economic consultant said. Part of the renovation plan already has been accomplished, leading to convincing production increases. For example, the near-completion of a project to renew the vast Mehalla textile plant, assisted by the Agency for International Development, has, according to Mohamed el-Gharabi, the industry minister, helped to push up textile production by 16 percent in the first nine months of this financial year.

Many prices, like those of soap, pharmaceuticals and butane gas, have stayed almost the same for 20 years. Meanwhile, inflation has spiraled and the Egyptian pound has plunged. Each year, as industrial costs rise, bigger government subsidies have to cover the shortfall.

A substantial price rise for a basic product is out of the question, for fear of causing political discontent. The prices of cars and soft drinks have risen recently, but only because they are, relatively speaking, luxury goods.

— KATE FINCH

Tourism: Appeal Broadens, Resort-Style Hotels Planned

CAIRO — Tourism is as old as human curiosity. And the curious, whether they be scholars or simple travelers, have been flocking to Egypt since time immemorial. The reason is not hard to divine.

The pyramids, along with the priceless heritage bequeathed by the pharaohs, always have attracted visitors to Egypt. But, in a time of world recession and highly competitive tourism everywhere, the Egyptian tourist industry is facing growing pressures to diversify its appeal. In short, to keep up with a growing world market in tourism, it can no longer bank on its archaeological wonders alone.

Egypt's tourist industry has suffered during the last two years due to the assassination of President Anwar Sadat and his aftermath, as well as to continuing tension in the Middle East. Preliminary figures for 1983, however, show a 16-percent increase in tourists from the corresponding period last year and the Ministry of Tourism is expecting about 1.5 million visitors in 1983.

Revenues from tourism are the fourth-largest source of foreign exchange for Egypt. Petroleum exports top the list, but with the world oil glut, which led Egypt to reduce its oil prices two months ago, the government is anxious to develop the tourist trade.

For Tewfik Abdul Ismail, a former army officer and a government banker who became minister of tourism a few months ago, the problems are straightforward. The emphasis must be on changing existing trends, including extending the stay of the average tourist from

6.5 days to 10-15 days by 1986-87. The way to do so, Mr. Ismail said, is to give the tourist more for his money.

The undersecretary of state for tourism, Bahi Nasr, said: "In the past, we've concentrated here in Egypt on cultural tourism. Only about 6 percent of world tourism accounts for cultural tours. A lot of tourists would stay longer in Egypt if they felt they could combine recreational facilities with touring the sites. We must expand our tourist industry toward resort-style holidays, give people sun, sand, beaches and sports, as well as access to the traditional archaeological sites if we want them to keep coming back."

Mr. Ismail endorsed this view. "It is a sad fact for the tourist industry in Egypt that most tourists come once, 'do' Egypt and leave, never to return again," he said.

"But that will change," the minister said that Egypt had the potential to entice the wealthier tourist to spend a holiday visiting the sites, soaking up the sun and diving among some of the finest coral reefs in the world. For this reason, he has given the Red Sea area first priority in development, no doubt encouraged by the success of the already established Sheraton at Hurghada and the Club Med at Magawish.

Ambitious plans for the Red Sea are not all Mr. Ismail is promoting. A number of new hotel projects in other parts of the country already are under way. This summer Elsay will open a four-star hotel in Ismailia on the Suez Canal. Oberoi,

the Indian chain of hotels, is renovating a palace on Lake Qaron in the Fayoum, about an hour's drive from Cairo. The Marriott group is nearing completion of its 150-room hotel at Al Arish in Sinai and a government-sponsored tourist village will open shortly at Minia near the ancient site of Tel el-Amarna.

With 23,000 hotel rooms currently available in Egypt, Mr. Ismail said that tourism, which earned as much as \$1 billion in 1982, was expected to earn \$1.5 billion in 1983.

But while projects for diversifying tourist areas are under way, other methods to promote Egypt continue. The Ministry of Tourism is calling for environmental control, antipollution measures, setting up new hotel schools and on-the-job training courses, and generally trying to improve the existing services.

Another factor has come along that may take the strain off Cairo and encourage more travelers to come to Egypt — government approval for charter firms to establish operations in Egypt.

This development is welcomed by members of the tourist industry in Cairo as many believe that charter flights will open up Egypt to more people. Mr. Ismail, whose policy is to marry resort-style living with cultural touring and who hopes to double current revenues by 1986, has full government support. Government funding under the current five-year plan (1982-86) is \$400 million, an increase of 40 percent in five years.

— ALICE BRINTON

CONTRIBUTORS

JOSEPH FITCHETT is a staff political correspondent for the International Herald Tribune.

WILLIAM B. QUANDT, a former member of the U.S. National Security Council, is now a senior fellow of the Brookings Institute.

FREDERICK SHIFF is a journalist who has covered the Middle East for a number of years.

ALAN MACKIE is a London-based journalist who is the author of a forthcoming book on Egypt.

KATE FINCH, PATRICIA OCHS and OL-FAT TOHAMY are Cairo-based journalists.

ALICE BRINTON is a financial journalist based in Cairo.

Sinai Development

(Continued From Page 8S)

Sinai's other economic potential consists of mining, manufacturing and fishing. Coal production at El Magara is to begin next year, with proven reserves at more than 35 million metric tons. There are no proven ore deposits of commercial value, though manganese, copper and kaolin are found.

Sinai is surrounded by water, and piers and cold storage are being built for the fishing fleet. The Bardawil lagoon yields 2,500 tons of fish daily, and the Mediterranean and the Suez Gulf offer other opportunities, despite studies that indicate maximum fishing yields have been reached.

BANQUE DU CAIRE (S.A.E.)

A.R.E.



One of Egypt's leading commercial banks and one of the largest too

Our most valuable assets Experience, Flexibility & Efficiency

"Make Banque Du Caire your first port of call"

Financial Statement as at 30th June, 1982 In thousands of pounds

LIABILITIES	L.E.
Capital, Reserves & Provisions	308,601
Deposits & Current Accounts	2,004,824
Banks & Correspondents	258,933
Sundry Credit Balances	190,623
	2,762,981
Contra Accounts	1,270,483
ASSETS	L.E.
Cash in Hand & Balances with Banks & Correspondents	1,178,969
Total Investments	179,704
Total Advances & Loans	1,341,119
Sundry Debit Balances	63,189
	2,762,981
Contra Accounts	1,270,483
Net Profit	54,691

Joint Ventures:

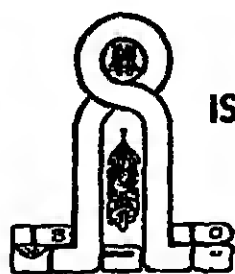
Cairo Barclays International Bank/Egypt
Banque du Caire et de Paris/Egypt
Cairo Far East Bank/Egypt
Saudi Cairo Bank/Saudi Arabia
Cairo Amman Bank/Jordan

and participating in the following banks:

Suez Canal Bank/Egypt
Housing & Development Bank/Egypt
Egyptian Gulf Bank/Egypt
National Bank for Development/Egypt
Egypt Arab African Bank/Egypt
105 Branches & Offices in Egypt
4 Branches in U.A.E. & one in the Bahrain

HEAD OFFICE:

22 Adly Street, P.O. Box 1495 - Cairo - A.R.E.
Telephone: 762545 - 749669 - 745574 - 746444
Telex: 92022 BNKER - UN (Cable: BANKAHER)
92838



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
ISLAMIC INTERNATIONAL BANK
FOR
INVESTMENT AND DEVELOPMENT

المصرف الإسلامي الدولي للاستثمار والتنمية

WHEN

Planning a Capital Project
Looking for Real & Halal Investment
Searching for Accurate and Integrated Services

WE ARE YOUR BANK

- The first 100% Egyptian Islamic Bank in Egypt
- First class banking services in local and foreign currencies in accordance with the holy Islamic Sharia.
- Full integrated package of Islamic investments (Musharakah - Murabahah - Mudharabah) for short, medium and long term investments.
- Transactions through a world wide network of correspondents.
- Our complete net of branches planned to cover Egypt, Arab and Islamic world and main international financial markets.

— HEAD OFFICE AND MAIN BRANCH

4 Adly St., Mesaha Square, Dokki, Cairo,
P.O. Box 180 Orman - Giza.
Tel: 843298 - 843936 - 846418 - 846439.
Telex: 94248 I.B.I.D. - U.N.
Cable: ISLAMA SRAF - Cairo.

— OTHER BRANCHES

- ★ Maarouf (Cairo City)
- ★ El - Menia
- ★ Tanta
- ★ Mansoura

— REP. OFFICE: Sharja - U.A.E.

Branches to be opened in 1983: ★ Alexandria ★ Al Azhar
★ Zagazig ★ Maadi ★ Mehalla ★ Luxor.

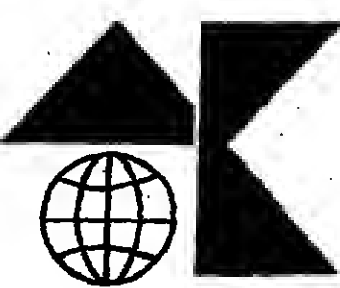


Alexandria Kuwait International Bank

ALEXANDRIA
KUWAIT
INTERNATIONAL
BANK
EGYPT

CAPITAL US \$20,000,000

You have
a future
in this logo



	US\$ (in thousands)	1982	1981
Balance Sheet, Total	282,208	224,138	
Equity (Capital & Reserves)	22,734	10,396	
Customers Deposits	147,873	139,596	
Loans & Advances	93,630	66,606	
Portfolio Investment	4,819	3,483	

Head Office:

Alexandria Kuwait International Bank
110 Kasr EL-Elmi Street, Cairo
P.O.B. 1004 Telex: 92953 Telex: 33995/6/7

Branches in operation:

Cairo: 110 Kasr EL-Elmi Street
Alexandria: 29 EL Nabi Daniel Street

Branches under Establishment:
Al-Azhar, Heliopolis, Giza

Broaden
Plans

TUESDAY, JUNE 7, 1983

COMMODITIES

By BOB HAGERTY

Commodity Market Awaits Rebound as Gold Prices Show Some Life

ONION — Gold prices are starting to bounce around again after several months of dull dealings. Though the market is edgy at the moment, some analysts are advising investors to start thinking about buying back into gold this summer in anticipation of modest gains in 1984.

Last week, gold prices slumped about \$25, mostly in one thump late Tuesday on the New York Commodity Exchange. The weakness carried into this week. Monday afternoon, gold was fixed in London at a month low of \$407.75 an ounce, down \$3.75 from Friday afternoon's high. Later Monday, in New York, gold was settled on the Comex at \$210 an ounce.

The market is facing some critical days in the next two weeks, Hardy, a director at Bank Julius Baer, said Monday. He said gold is likely to test its support in the range of \$390 to \$405.

Mr. Hardy thinks the price will find fairly solid support at around \$370 but expects the market to remain "weakish" for most of the summer. From September onward, he sees a moderate advance.

Pinningpoint the trough is the word. Tim Read, an analyst at London stockbrokerage of Lauie Prust & Co., thinks gold is likely to fall to between \$375 and \$385 this summer before starting to rise. Chris James of Scott, McEwan & Co. doubts the price will go below \$400 for any extended period.

At a U.S. brokerage giant, a bullish analyst gloated that last week's slide was "a gift to the traders who wanted to take a longer-term view."

By year-end, Mr. James said gold is likely to be around \$475. Mark Good of Grieson Grant & Co. put the likely range at \$475 to \$500. But Consolidated Gold Fields, Louise du Boulay said that she was "a little cautious" about gold's ability to hold at such levels unless physical demand improves.

"These days, both bulls and bears can find persuasive arguments."

The bears note that interest rates remain high and that some economists expect U.S. rates to continue rising. High rates make it hard to finance big holdings of gold and increase the allure of other investments. With high rates comes a strong dollar. That makes gold more expensive in dollar terms to buyers holding other currencies. Forecasts for higher gold prices later this year generally assume that the dollar will weaken at least moderately.

Because inflation continues to slow in most countries, gold is losing appeal as a hedge against higher prices.

Inflation a Two-Way Street

But the inflation argument works both ways. Many analysts expect inflation to rise modestly later this year. More important, they see growing inflation expectations. Peter McPartland of Pammor Gordon & Co. says that real, or inflation-adjusted, yields on U.S. Treasury bonds have risen.

Those inflationary fears heat up with each bit of bad news of the third world debt problem. The debt scare in Mexico and other nations has led to a rise in inflation-adjusted yields on U.S. Treasury bonds.

Some analysts say that the rise in inflation prices earlier this year has run its course, but Mr. McPartland believes the metal still has room to rise if the U.S. economic recovery proves sustainable. He sees prices benefiting from cutbacks in output by the two major South African producers.

Palladium might be even more exciting, Mr. McPartland said, noting that the metal is being used as a substitute for platinum by some Japanese makers of car parts. But the Soviet Union is the biggest producer of palladium, he noted, and Soviet supply policy is hard to predict.

CURRENCY RATES

Interbank exchange rates for June 6, excluding bank service charges.

	U.S.	West Germany	France	Switzerland	Japan	Italy	Spain	U.K.	Canada	Australia	N.Z.
U.S. dollar	1.0000										
West Germany	2.48	1.0000									
France	6.55	163.33	1.0000								
Switzerland	1.48	75.66	166.63	1.0000							
Japan	163.33	240.00	376.03	149.76	1.0000						
Italy	1.37	203.71	313.36	123.36	193.60	1.0000					
Spain	1.66	253.36	393.36	153.36	243.36	166.63	1.0000				
U.K.	0.75	113.33	173.33	68.33	103.33	133.33	103.33	1.0000			
Canada	0.75	113.33	173.33	68.33	103.33	133.33	103.33	1.0000	1.0000		
Australia	0.75	113.33	173.33	68.33	103.33	133.33	103.33	1.0000	1.0000	1.0000	
N.Z.	0.75	113.33	173.33	68.33	103.33	133.33	103.33	1.0000	1.0000	1.0000	1.0000

INTEREST RATES

Interbank exchange rates for June 6, excluding bank service charges.

	U.S.	West Germany	France	Switzerland	Japan	Italy	Spain	U.K.	Canada	Australia	N.Z.
U.S. dollar	1.0000										
West Germany	2.48	1.0000									
France	6.55	163.33	1.0000								
Switzerland	1.48	75.66	166.63	1.0000							
Japan	163.33	240.00	376.03	149.76	1.0000						
Italy	1.37	203.71	313.36	123.36	193.60	1.0000					
Spain	1.66	253.36	393.36	153.36	243.36	166.63	1.0000				
U.K.	0.75	113.33	173.33	68.33	103.33	133.33	103.33	1.0000			
Canada	0.75	113.33	173.33	68.33	103.33	133.33	103.33	1.0000	1.0000		
Australia	0.75	113.33	173.33	68.33	103.33	133.33	103.33	1.0000	1.0000	1.0000	
N.Z.	0.75	113.33	173.33	68.33	103.33	133.33	103.33	1.0000	1.0000	1.0000	1.0000

Officers Make Bid For Simon

Compiled by Our Staff From Dispatches

NEW YORK — A group led by Norton Simon Inc. Chairman David Mahoney wants to buy the diversified corporation and take it private in a \$1.65-billion transaction, the company said Monday.

Norton Simon's businesses include Avis car rentals, Hunt-Wesson foods, Max Factor cosmetics, McCall patterns and Halston designs. Other interests include Somerset Importers, the distilled liquors business, and the manufacture of glass and metal containers.

If the transaction is completed, Norton Simon would be owned by Mr. Mahoney, several other members of the company's current management and Drexel Burnham Lambert, the New York securities firm, Norton Simon said.

Goldman Sachs & Co. is acting as financial adviser to what would become a corporation to be formed by Mr. Mahoney to bring about the transaction.

The proposal is being studied by a committee made up of outside directors of Norton Simon and would be subject to shareholder approval and arrangements for financing.

The committee said it is retaining Lazard Freres & Co. and Salomon Brothers to assist it in analyzing and evaluating the proposal.

Under the plan, each share of Norton Simon common stock would be exchanged for \$21 in cash and 0.08 of a share of preferred stock in the new company.

In addition, most of Norton Simon's existing debt would be refinanced, the company said.

Each share of the new preferred stock would have a \$15 annual dividend, along with a redemption price of \$100.

"The new preferred stock would be noncallable."

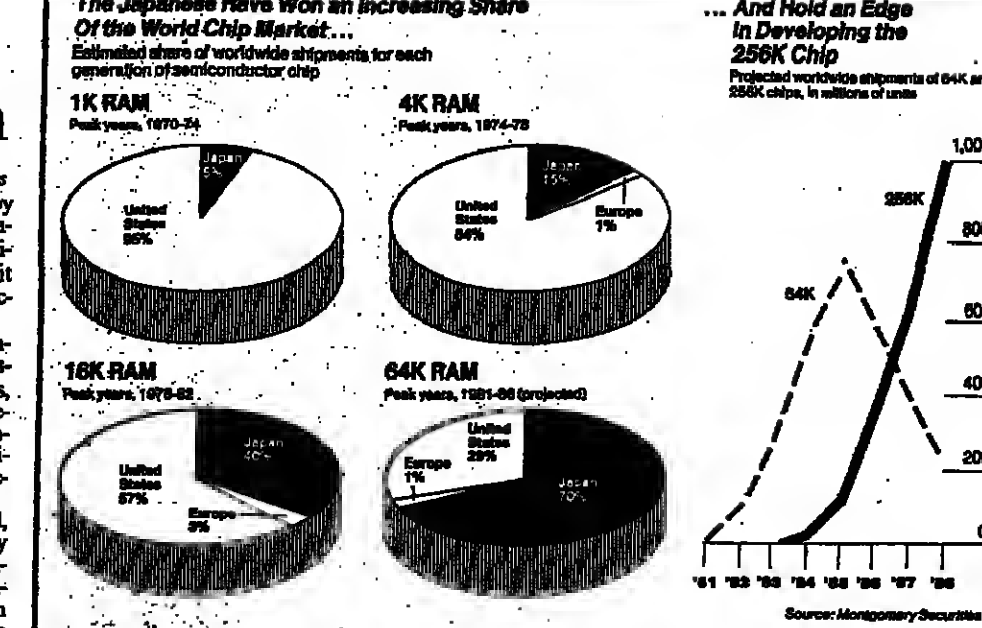
Norton Simon stock opened late Monday at \$29.25, up \$2.875, after being suspended pending the announcement of the buyout proposal.

Norton Simon said two major banks, which it did not identify, have indicated they are willing to form a syndicate to provide \$1.55 billion to pay most of the bill. That loan would be subject to several conditions, which were not disclosed.

Drexel Burnham has agreed, subject to conditions, to arrange an additional \$100-million financing, Norton Simon said.

Battle Over the Market for the Next Generation in Computer Memories

The Japanese Have Won an Increasing Share Of the World Chip Market...



Japanese Hold Strong Lead In Next Generation of Chip

By Andrew Pollack

NEW YORK — The race for the next generation of computer memory chips has entered its first turn and Japanese producers are out in front of their U.S. counterparts.

The prizes are substantial. Sales of the new chip, the 256K dynamic RAM, could begin in a small way in the coming months and are expected to reach at least \$2 billion a year by the late 1980s. That would make the chip the biggest single product in the semiconductor industry's history.

It will not be the first race in which U.S. semiconductor companies came in second. U.S. companies, long the worldwide leaders in the industry, were stunned when the Japanese newcomers beat them to the market with the current generation of RAMs, the 64K, and captured up to 70 percent of the world market in the early 1980s. The Japanese had only a 40 percent share in the market for the previous generation, the 16K RAMs, and very little presence in the business before that.

European companies seldom hold more than 3 percent of the market.

The 256K RAM describes a chip with a random access memory that can hold more than 256,000 bits of information — enough to store more than 5,000 words of text, equivalent to a full page of newspaper type, or four times more than the current generation type, the 64K RAM. This allows computers, using the new chips to be smaller, faster and cheaper.

RAMs are only one type of memory chip, and there are other types of chips besides memory, such as logic chips. U.S. companies still lead in most other areas.

Nevertheless, the erosion of U.S. leadership is viewed with particular concern because RAMs are the highest-volume product. Profits from RAMs in the past have fueled development of other chips and advanced manufacturing processes are often based on RAMs.

Because of the high sales volumes, RAMs also make possible economies of scale in overall semiconductor production. Loss of a large share of the market thus could lead to a deterioration in the overall strength of the U.S. chip industry.

"It's like rust on the underbody of a car," one trade official said.

The Japanese are about six to nine months ahead of the U.S. companies in developing the 256K RAM, estimates Richard W. Yountz, vice president and director of memory operations for Motorola, a leading U.S. semiconductor company. Several Japanese companies, led by Fujitsu, are already offering sample chips to prospective customers and are gearing up for larger volume production, according to industry officials.

U.S. companies generally are not expected to begin offering samples until late this year. The major exception appears to be Western Electric, the manufacturing arm of American Telephone & Telegraph, which is producing and offering samples of a 256K.

But Western Electric, which used to make chips only for the phone company's internal use, is selling chips to outsiders for the first time, and there are questions about whether its technology and its sales force will be able to compete on the open market.

Some executives also say that Japanese dominance of the new market is a foregone conclusion. "What battle?" asked W.J. Sanders 3d, chairman and chief executive of Advanced Micro Devices. "A battle implies there are two sides."

With shipments of the 256K RAM chips in significant numbers expected by the end of the year.

NYSE Closes Up Slightly in Fluctuating Session

United Press International

NEW YORK — The New York Stock Exchange, after fluctuating much of the session, closed up slightly Monday.

The Dow Jones industrial average ended up 1.20, to 1,214.24. It had been up more than 2 points at the outset and down 4 at mid-session after gaining 1.60 Friday. It lost 3.10 overall last week.

Advances narrowly led declines among the 1,977 issues traded.

Big Board turnover was \$7.1 million shares, up from the \$7.1 million traded Friday.

Coastal Corp. Seeks Stake in Texas Gas

New York Times Service

NEW YORK — Coastal Corp. has announced a tender offer that would give it up to 52 percent of the common shares of Texas Gas Resources, an operator of natural gas pipelines. The transaction is valued at \$450 million.

Coastal, through its Colorado Interstate subsidiary, would pay \$45 a share for up to 10 million shares of Texas Gas Resources common stock. The offer, made Sunday night, began Monday. Coastal said it had "no current intention" to buy more than 10 million shares.

Dennis R. Hendrix, chairman and president of Texas Gas Resources, could not be reached for comment. A spokesman for the company, John R. Blewer, declined comment.

O.S. Wyatt, Coastal's chairman, said in a letter to Mr. Hendrix dated Sunday, "We would like to accomplish this transaction on a completely amicable basis if possible. I hope you will see the many advantages of this combination."

In the letter, Mr. Wyatt mentioned discussions he had had with Mr. Hendrix regarding a tender offer for Texas Gas shares. He also wrote that \$45 a share was "well above the approximately \$30 per share price level that prevailed during April and the early part of May."

Mr. Wyatt said in the letter that the acquisition of Texas Gas would complement Coastal's gas transmission and oil and gas exploration and production operations. Coastal, based in Houston, also has coal operations.

Texas Gas, based in Kentucky, ships natural gas, primarily from Louisiana and Texas, to the Northeast and North-Central United States. It also operates trucking, barging, boat-building and oil and gas exploration subsidiaries.

Surging Dollar Again Sets High Against Franc

By Stephen Jukes

FRANKFURT — The U.S. dollar, maintaining its upward drive on foreign exchange markets, Monday hit a record again against the French franc and a seven-month peak against the Deutsche mark.

The pound also was buoyed by the Conservative Party government's continued strong showing in newspaper opinion polls.

In Paris, the dollar rose to a record 7.7135 francs, up from 7.6420 Friday. Monday's rise was the dollar's ninth record in two weeks. The dollar also set records against the Danish krone and Swedish krona.

The dollar rose to 2.5653 DM in Frankfurt, up from Friday's 2.5425 DM. It was the highest since Nov. 16 and prompted the Bundesbank to sell \$43.1 million in an effort to slow the rise.

Frankfurt currency dealers said the dollar seemed to have gained a momentum of its own and could now test the seven-year high of 2.60 DM reached last November on the day of the death of President Leonid Brezhnev of the Soviet Union.

Currency dealers in Frankfurt said attention was now on the U.S. Federal Reserve Board, which may be forced to tighten its monetary policy — and push up domestic interest rates — in the face of continued strong growth in U.S. money supply.

Despite a small fall in late May, the amount of money in the U.S. economy has grown billions of dollars in recent weeks, far above the Fed's desired level.

"The recent rapid growth of money supply is a serious concern. The money stock must not be allowed to go on expanding at its recent pace," Martin Feldstein, chairman of the President's Council of Economic Advisors, said Monday.

The Reagan administration has rarely intervened on exchange markets in the past year, despite charges by European countries that the amount of investment money being attracted to the U.S. currency was harming their chances of economic recovery.

The pound rose to its highest level since late November at 4.065 DM in Frankfurt Monday after dipping to 3.975 Friday.

ARGENTINE REPUBLIC

EXTERNAL U.S. \$ BONDS

THE WESTON GROUP

Enquiries to: CH-1003 LAUSANNE 2 Rue de la Paix. Tel.: 25869. Tel.: 021/20 17 41.

Commodity Investors

77% AVERAGE ANNUAL RATE OF RETURN

The Trading Manager who supervises our managed account and futures fund programs has achieved this remarkable performance over the past 3 years.

Minimum Initial Investment \$100,000.

Rudolf Wolff 212-589-4465 Telex: 177 42840

Commodity Brokers, Inc. 295 Madison Ave. New York, NY 10017, U.S.A. Attn: Bruce Caland

Managed Account Future Fund

Please send complete details to:

Name _____

Address _____

Country _____

Telephone _____

Please fill out coupon completely

Surging Dollar Again Sets High Against Franc

By Stephen Jukes

FRANKFURT — The U.S. dollar, maintaining its upward drive on foreign exchange markets, Monday hit a record again against the French franc and a seven-month peak against the Deutsche mark.

The pound also was buoyed by the Conservative Party government's continued strong showing in newspaper opinion polls.

In Paris, the dollar rose to a record 7.7135 francs, up from 7.6420 Friday. Monday's rise was the dollar's ninth record in two weeks. The dollar also set records against the Danish krone and Swedish krona.

The dollar rose to 2.5653 DM in Frankfurt, up from Friday's 2.5425 DM. It was the highest since Nov. 16 and prompted the Bundesbank to sell \$43.1 million in an effort to slow the rise.

Frankfurt currency dealers said the dollar seemed to have gained a momentum of its own and could now test the seven-year high of 2.60 DM reached last November on the day of the death of President Leonid Brezhnev of the Soviet Union.

Currency dealers in Frankfurt said attention was now on the U.S. Federal Reserve Board, which may be forced to tighten its monetary policy — and push up domestic interest rates — in the face of continued strong growth in U.S. money supply.

Despite a small fall in late May, the amount of money in the U.S. economy has grown billions of dollars in recent weeks, far above the Fed's desired level.

"The recent rapid growth of money supply is a serious concern. The money stock must not be allowed to go on expanding at its recent pace," Martin Feldstein, chairman of the President's Council of Economic Advisors, said Monday.

The Reagan administration has rarely intervened on exchange markets in the past year, despite charges by European countries that the amount of investment money being attracted to the U.S. currency was harming their chances of economic recovery.

The pound rose to its highest level since late November at 4.065 DM in Frankfurt Monday after dipping to 3.975 Friday.

Dealers attributed the rise to some weekend opinion polls that showed the opposition Labor Party falling behind the centrist Liberal Social Democratic Alliance in the last few days of the election campaign.

The British currency also recovered from a weakness on Friday caused by rumors that Nigeria was about to cut oil prices, they added. A general drop in oil prices would hurt the British trade balance.

In London, the pound gained two cents against the dollar in early trading before slipping back to \$1.5740 late in the day, still up from Friday's close of \$1.5647.

Gold was fixed in London at \$406.50, its lowest since Nov. 24, mainly on the strength of the dollar, and slipped below \$400 in New York.

In Hong Kong, the U.S. currency reached a record \$7.44 against the Hong Kong dollar.

Moscow Said to Affect Market

The Soviet Foreign Trade Bank has become an increasingly important factor in foreign-exchange markets in recent months, according to bankers at a weekend meeting of the International Dealers Association in London, Reuters reported Monday.

The Soviet bank's influence in the market has grown because it is buying and selling larger and larger amounts of currencies at a time when many other market participants are cutting back, dealers said.

It is not unusual for the "Red Man," as the Moscow bank is popularly known to foreign-exchange traders, to sell more than \$100 million for Deutsche marks in one day, often moving the rate between the two currencies dramatically.

The Moscow bank has been active in the market for years, but dealers believe that it is now acting not only for itself but for most of its Comcon trading allies. Many Western banks refuse to deal in the foreign exchange and interbank markets with these countries because of their debt problems, dealers said. But the banks will deal with the Soviet Union, believing it to be a much better credit risk.

The Moscow bank acts in the exchange market both directly, through commercial banks, and through brokers. Sometimes its actions can cause near-panic, as when it wants to deal in large amounts of currencies that are not always actively traded.

Even if growth this year meets the administration's target of 4.7 percent it will still take "four or five years" for the unemployment rate to drop to about 6 or 6.5 percent, he said.

Furthermore, he said, "shrinking the budget deficit will require additional tax revenue in the years ahead."

Analysts said trading picked up in the last hour but added that many big institutional investors retreated to the sidelines, trying to figure out the course of interest rates.

Federal funds rates, which banks charge one another for overnight loans, have edged up the past few days in response to the \$13-billion surge in the nation's money supply during the past month.

Investors showed little reaction to the Federal Reserve's report late Friday of a \$400-million decrease in the narrowest measure of the U.S. basic money supply.

Lower-priced issues have been stronger in the past several sessions, indicating that smaller investors were active.

Colco, a 10-point winner last week, was active and up sharply. Investors apparently have high hopes for the success of Colco's new "Adam" home computer.

Gloomy U.S. Forecast President Ronald Reagan's chief

economic adviser, Martin Feldstein, issued a gloomy forecast for the economy Monday, saying unemployment would be high for several years and calling tax increases inevitable, United Press International reported from Washington.

Mr. Feldstein, addressing a conference of business executives sponsored by the American Stock Exchange, continued to maintain that the economy was recovering with vigor but warned that even a strong recovery could not last while U.S. budget deficits remained high.

"Even a very robust rate of growth cannot solve the deficit problem," he said. "Moreover, continuing growth at 4 percent a year is not likely to be possible if deficits remain at 5 percent of gross national product."

Even if growth this year meets the administration's target of 4.7 percent it will still take "four or five years" for the unemployment rate to drop to about 6 or 6.5 percent, he said.

Furthermore, he said, "shrinking the budget deficit will require additional tax revenue in the years ahead."

Analysts said trading picked up in the last hour but added that many big institutional investors retreated to the sidelines, trying to figure out the course of interest rates.

Federal funds rates, which banks charge one another for overnight loans, have edged up the past few days in response to the \$13-billion surge in the nation's money supply during the past month.

Investors showed little reaction to the Federal Reserve's report late Friday of a \$400-million decrease in the narrowest measure of the U.S. basic money supply.

Lower-priced issues have been stronger in the past several sessions, indicating that smaller investors were active.

Colco, a 10-point winner last week, was active and up sharply. Investors apparently have high hopes for the success of Colco's new "Adam" home computer.

Gloomy U.S. Forecast President Ronald Reagan's chief

economic adviser, Martin Feldstein, issued a gloomy forecast for the economy Monday, saying unemployment would be high for several years and calling tax increases inevitable, United Press International reported from Washington.

Mr. Feldstein, addressing a conference of business executives sponsored by the American Stock Exchange, continued to maintain that the economy was recovering with vigor but warned that even a strong recovery could not last while U.S. budget deficits remained high.

"Even a very robust rate of growth cannot solve the deficit problem," he said. "Moreover, continuing growth at 4 percent a year is not likely to be possible if deficits remain at 5 percent of gross national product."

Even if growth this year meets the administration's target of 4.7 percent it will still take "four or five years" for the unemployment rate to drop to about 6 or 6.5 percent, he said.

Furthermore, he said, "shrinking the budget deficit will require additional tax revenue in the years ahead."

Analysts said trading picked up in the last hour but added that many big institutional investors retreated to the sidelines, trying to figure out the course of interest rates.

Federal funds rates, which banks charge one another for overnight loans, have edged up the past few days in response to the \$13-billion surge in the nation's money supply during the past month.

Investors showed little reaction to the Federal Reserve's report late Friday of a \$400-million decrease in the narrowest measure of the U.S. basic money supply.

Lower-priced issues have been stronger in the past several sessions, indicating that smaller investors were active.

Colco, a 10-point winner last week, was active and up sharply. Investors apparently have high hopes for the success of Colco's new "Adam" home computer.

Gloomy U.S. Forecast President Ronald Reagan's chief

BUSINESS BRIEFS

U.S. 'Windfall-Profits' Tax on Oil Is Upheld by the Supreme Court

WASHINGTON (Combined Dispatches) — The U.S. Supreme Court upheld on Monday the constitutionality of the 1980 "windfall-profits" tax on oil, which produces billions of dollars in annual revenue.

The 9-0 ruling removed uncertainty from the tax, which had been declared unconstitutional by a lower court on the ground that it unfairly exempted new oil produced above the Arctic Circle, with the exception of the Prudhoe Bay field on the North Slope of Alaska.

The levy produced an estimated \$26 billion in revenue as of last Oct. 1. By 1990, government officials expect the tax to bring in a total of \$225 billion.

Justice Lewis F. Powell, in his opinion for the Supreme Court, said, "Congress may take geographic considerations into account in deciding what oil to tax."

Japan Asks U.S. GATT Delay

TOKYO (AP) — The Japanese government has asked the United States to delay submitting a formal request for consultations about Japan's agricultural-import barriers to the General Agreement on Tariffs and Trade, the U.S. Embassy said Monday.

Japanese news reports, quoting government sources, said Washington had agreed to the delay until after parliamentary elections June 26. But embassy officials said the office of William E. Brock, the U.S. trade representative, had not decided whether to take the dispute to GATT.

The Foreign Ministry said that the Japan had only sought information on the GATT appeal and had been told that the United States has yet to reach a decision. At issue are Japan's import curbs on 15 agricultural items, including noncitrus fruit juice, peanuts and some beans.

Eastern Staff Backs Concessions

MIAMI (AP) — Eastern Airlines' 16,000 nonunion employees have taken the troubled airline another step toward financial health by voting to accept new wage concessions, officials say.

The employees, including members of Eastern management, agreed to divert 10 percent of their pay into two in-house investment programs, a move that may help the Miami-based carrier save \$200 million by the end of 1984. The vote was announced Sunday.

BTR Increases Stake in Tilling

LONDON (Reuters) — BTR said Monday it had increased its stake in Thomas Tilling to just above 27 percent. BTR is bidding almost £700 million (\$1.1 billion) in an attempt to take over Tilling.

BTR bought about 3.5 million shares at 225 pence each on Friday and said it is continuing to make further purchases.

BTR's bid — 11 BTR shares for every 20 in Tilling, or 225 pence cash per Tilling share, closes Wednesday. Tilling's board continues to resist the takeover attempt vigorously.

Volvo to Buy 20% of Oil Firm

STOCKHOLM (Reuters) — Sweden's biggest carmaker, Volvo, is attempting again to buy its way into Norway's oil operations as the latest step in its policy of moving away from vehicles and into oil.

In 1979 Volvo tried to transfer 40 percent of its stock to Norway in an oil-for-cars deal. But the plan aroused political opposition in Norway and was vetoed by Volvo's Swedish shareholders.

A statement released by Volvo on the weekend said the company was to take a 20-percent stake in the privately owned oil company Saga Petroleum, a Norwegian oil company operating in the North Sea.

Baldwin Expects to Post Big Loss

CINCINNATI (Reuters) — Baldwin-United Corp. said Monday it expects to report a large first-quarter loss, probably more than \$100 million. For the first quarter of 1982, Baldwin-United had a profit, as previously restated, of \$18 million.

It also said its quarterly report to the Securities and Exchange Commission for the first quarter of 1983 will be delayed for at least several more weeks due to substantial accounting issues associated with its suspended single premium deferred annuity business and the large demand on the company's staff caused by negotiations with creditors.

Greenspan's Next Stop May Be the Fed

New York Times Service

NEW YORK — Alan Greenspan recently attended Henry Kissinger's lavish 60th birthday party accompanied by Barbara Walters. Mr. Greenspan, at age 57, is one of the most popular guests on New York's party circuit — and one of the United States' most sought-after economists.

Now, the bespectacled, soft-spoken Mr. Greenspan is being talked about for what would be his most lofty position. He is a popular choice to be chairman of the Federal Reserve Board, should Paul A. Volcker, the current occupant, not be reappointed by the president in early August.

It is the areas that he has confronted, from the recent revision of the Social Security System to his three-year stint as chairman of the Council of Economic Advisers under President Gerald R. Ford, that have made the business of being Alan Greenspan such a successful one. He has been in the right place at the right time. A consistently conservative economist in an era when the prevailing winds were shifting from left of center to somewhat right of center.

Those who know him say that they think he would take the job at the Fed if asked, although several thought that it would be hard for him to leave Townsend-Greenspan, the economic-consulting firm that he and the late William Townsend founded in 1953. Although Mr. Greenspan, who holds the vast majority of the stock in the privately held firm, will not discuss either its finances or its clients, others familiar with the firm say it is very profitable, with nearly 200 clients from among the largest financial



Alan Greenspan

institutions and manufacturers in the nation.

Townsend-Greenspan, with 35 employees, is almost a moon-and-pop operation. Mr. Greenspan is clearly top, and most is executive vice-president M. Kathryn Eickhoff, who ran the business while Mr. Greenspan was chairman of the Council of Economic Advisers.

Mr. Greenspan says he is most comfortable at work in his New York office overlooking the tip of Manhattan and New York Harbor, where he is in easy reach of the Townsend-Greenspan library and its blue binders full of statistical data.

For high fees, his clients can buy into a wide array of computerized services, data banks and consultations with the senior economists — or even with Mr. Greenspan himself. Townsend-Greenspan's fees range from as low as \$15,000 a year to \$200,000 and up.

The firm's senior staff, including Miss Eickhoff, Judith Mackey and Lucille Wu, is mostly female. Mr. Greenspan explains the gender bias with the free-market pragmatism that has become his hallmark: "I always valued men and women equally, and I found that because others did not, good women economists were cheaper than men. So hiring women does two things: It gives us better quality work for less money, and it also raises the market value of women."

Mr. Greenspan began his economics career working at the Conference Board and has had a fascination with basic industry ever since. Most recently he has become involved in analyzing international financial institutions.

He first emerged in the public eye in the Nixon administration, when he came to Washington when President Richard M. Nixon appointed him chairman of the Council of Economic Advisers just before Mr. Nixon's resignation in 1974. It was his former teacher Arthur Burns, then chairman of the Federal Reserve Board, who suggested Mr. Greenspan for the job.

"What you needed at the CEA was a good business analyst who understood economic trends," said Mr. Burns, now the U.S. ambassador to West Germany.

Once in Washington, Mr. Greenspan quickly became Gerald R. Ford's most important economic adviser.

Though he returned to New York six years ago, Mr. Greenspan has remained active in Washington, among other things helping to draft an economic-agenda speech for candidate Ronald Reagan.

He is loyal to the Reagan White House, and well known to the president's top aides, and was therefore a logical candidate to head the commission that President Reagan established in late 1981 to formulate a plan for saving the Social Security System.

It might seem contradictory for Mr. Greenspan to take on such a task. After all, he, like Miss Eickhoff, has for decades been a follower of the resolutely free-market Objectivist philosophy outlined by the writer Ayn Rand in her best-selling novels "Atlas Shrugged" and "The Fountainhead," and her nonfiction books.

But despite Mr. Greenspan's theoretical convictions, he is nothing if not pragmatic.

"Do I like the present Social Security System? No," he said. "If you asked me whether it would be necessary in the ideal society, I'd say no. Our type of economy is far removed from where I would like to see it, but you have to be careful about moving from one type of society to another. I am not unaware of the technical problems of transition."

It is in part a testament to Mr. Greenspan that the report that the commission produced in January did not end up on the shelf, but was quickly and enthusiastically adopted by Congress, even though it called for increasing payroll taxes, postponing cost-of-living increases and tacking some benefits — three hot potatoes for Washington policymakers.

Bearer Bonds Ending With Flood of Issues

By Yla Eason

NEW YORK — The last of the bearer bonds will be brought to market in the United States this week, signaling the end of anonymous trading in tax-exempt securities. The passage will be marked by the issuance of at least 168 new competitive bond offerings, totaling nearly \$1 billion.

The major cause for the surge in issues is a federal law that takes effect July 1 requiring that all municipal bonds be registered in such a way that the issuer or its agent has a record of the owner.

Currently most municipal bonds are bearer bonds, which do not contain the name of the owner and are presumed to be the property of the person who possesses them. The law is designed to help the federal government keep better track of who is receiving interest on the bonds.

Because it will take about three weeks to get new issues printed, sold, and delivered, this is expected to be the last week local governments can issue bearer bonds in order to meet the July 1 deadline.

Under the new law, local governments will be required to hire transfer agents who can record ownership changes and issue new bonds. Most major cities are already equipped to handle this task, but smaller towns and cities face substantial expenses to meet the requirements. As a result, the smaller municipalities are trying to get their bonds sold before the July 1 deadline to avoid the added costs.

These new bonds, however, are almost certain to carry higher rates because of the recent heavy supply and weak demand in the market.

Stephen Huggins, executive vice president of Huggins & Cahman, a bond trading firm, said that for tax-exempt issues, the

end of bearer bonds means "a thinner market with much wider spreads than you have now."

He added, "Issuers no longer are enthusiastic about the longer term or about immediate prospects for a return to lower rates. They don't hope for a significant bounce back that would save them a lot of money."

During May, as prospects dimmed for a cut in the 8.5-percent discount rate the Federal Reserve charges banks who borrow from it, interest rates rose in the Treasury market by five-tenths of 1 percent on long-term issues.

In the municipal market, not only has there been a noticeable increase in the number of sale cancellations and downward price adjustments to get recent issues sold, but also rates have risen almost 1 percent.

According to Moody's Investor Service, the first half of 1983 was a

record year for municipal bond issues, with \$43 billion coming to market, an increase of 42 percent over the 1982 first half.

In May, \$9 billion in new tax-exempt issues were sold, near the monthly record of \$9.9 billion set last November. A spokesman at Moody's said that last week was heavy in an attempt to "escape registration."

James Perry, senior vice president at Prudential-Bache Securities, predicted a drop in the volume of municipal bonds after July 1. He said that within the past three weeks, a tax-exempt bond due in 30 years could have been issued at 9 1/2-percent interest, but that now such maturities offered yields of 10 1/2 percent.

Mr. Huggins said he expected the credit markets to stabilize after the report last Friday of a modest \$400-million decline in the money supply.

Over-the-Counter

June 6

NASDAQ National Market Prices									
Sales in			Net		Sales in			Net	
100s	High	Low	3pm	Chg	100s	High	Low	3pm	Chg
AGS	89	34 1/2	24	-	Amstar 1.80	32	32 1/2	32 1/2	+ 1/2
AGS	89	34 1/2	24	-	Amstar 2.00	32	32 1/2	32 1/2	+ 1/2
Accord	102	27 1/2	27 1/2	-	Amstar 2.20	32	32 1/2	32 1/2	+ 1/2
AGS	89	34 1/2	24	-	Amstar 2.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 2.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 2.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 3.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 3.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 3.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 3.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 3.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 4.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 4.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 4.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 4.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 4.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 5.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 5.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 5.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 5.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 5.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 6.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 6.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 6.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 6.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 6.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 7.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 7.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 7.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 7.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 7.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 8.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 8.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 8.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 8.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 8.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 9.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 9.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 9.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 9.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 9.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 10.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 10.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 10.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 10.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 10.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 11.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 11.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 11.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 11.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 11.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 12.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 12.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 12.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 12.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 12.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 13.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 13.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 13.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 13.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 13.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 14.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 14.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 14.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 14.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 14.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 15.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 15.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 15.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 15.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 15.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 16.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 16.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 16.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 16.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 16.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 17.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 17.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 17.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 17.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 17.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 18.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 18.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 18.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 18.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 18.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 19.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 19.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 19.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 19.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 19.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 20.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 20.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 20.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 20.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 20.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 21.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 21.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 21.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 21.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 21.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 22.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 22.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 22.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 22.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 22.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 23.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 23.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 23.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 23.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 23.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 24.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 24.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 24.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 24.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 24.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 25.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 25.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 25.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 25.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 25.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 26.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 26.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 26.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 26.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 26.80	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 27.00	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 27.20	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 27.40	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 27.60	32	32 1/2	32 1/2	+ 1/2
Albit	11	2 1/2	2 1/2	-	Amstar 27.80	32	32 1/2		

Tables include the nationwide prices up to the closing on Wall Street.

[illegible]

(Continued from Page 13)

Japanese companies won their big share of the market for 64K RAM chips partly because they made a sustained and concerted effort, backed by their government, to achieve excellence in that mar-

Beyond that, however, there were several unusual factors that allowed the Japanese companies to achieve their dominance in 64Ks.

Some U.S. companies also ran into problems with the 64K because they tried to push the tech-

But, some analysts say, innovation in design and production processes will be needed for the 256K.

and Japanese companies are considered weak in this area. To the extent that U.S. manufacturers

At the root of that argument is a broader one about whether competition with Japan is possible and what, if anything, the government should do about it.

Others, however, say the general

recovery in the industry only masks more fundamental problems.

For example, the Semiconductor Industry Association, a trade group that has accused Japanese companies of unfair trade practices, last Friday asked its members to

es, last Friday asked its lawyers to draw up a complaint under Section 301 of the Trade Act of 1974. It has not, however, decided whether to file the complaint with

Section 301 allows the U.S. president take action to end unfair trade practices, including retaliation.

trade practices, including retaliatory measures such as tariffs or import quotas. But association officials say that rather than closing U.S. markets they would rather

U.S. markets, they would rather have Japan open up its market to U.S. products. Japan insists its markets are already open.

plan," said Mr. Sanders, one of the more outspoken executives on the subject. And if affirmative action — access to Japanese markets — is

A technology committee of U.S. and Japanese government officials

is to meet this month in Hawaii, with semiconductors high on the agenda. One topic to be discussed is how to gather better data on

likely that no dramatic action, such as a limit on Japanese exports, will be taken.

Closing prices, June 6

2401

[illegible][illegible]

Hilton International Co.

7½% Debentures due
November 1, 1987
Price: US\$950.00 plus accrued interest
(Subject to prior acceptance of 500 bonds)
Contact: E. Peter Aird
Hilton International Co., New York
Telex 62777
Telephone (212) 688-2240

PROBLEMS PAYING YOUR U.S. BILLS ON TIME?



**Personal Banking for Overseas Americans
is Citibank's answer.**

Are your U.S. bills paid late? With Citibank's Personal Banking for Overseas Americans your bills are paid on time so you can avoid annoying fees and damage to your credit rating. Each month your personal account executive in New York will pay your U.S. bills and other obligations, credit card charges, mortgage or loan payments and department store charges. It's the reliable way to pay your bills from abroad.

Living and working abroad isn't easy, especially when it comes to managing your money. Have you ever waited weeks to get *your* U.S. funds? Now, Citibank can solve this problem by wiring you your money fast, when and where you need it.

Citibank can offer you innovative investment and income management opportunities. Flexible credit programs. Excellent communications. And a skilled personal account executive. This helps you manage all your U.S. banking affairs.

SEND THIS COUPON, CALL OR TELEX TODAY.
CITIBANK, P.O. Box 666 Fifth Avenue, 7th Fl.
New York, NY 10103 USA.
Attention: John Schwreck Telex: 424587
Telephone (212) 677-8323

☐ Please send me more information on
 Personal Banking for Overseas Americans.

HTF-673-2

Name _____

Address _____

Home _____


Telex _____

Employer _____

Bus _____

Telex _____

Citibank N.A.,
 Member FDIC

CITIBANK 

SPORTS

Odd Couples: Flora and Foreheads, a Title — and Deborah

By Dave Kindred

Washington Post Staff

WASHINGTON — Fred Couples hits it long and wrong a lot, as when he first explored the flora and foreheads of the 15th hole at an unassuming Congressional Country Club Sunday.

An hour later, during a playoff that looked like Saturday morning at the Elks Club, Couples would win his first professional golf tournament and reap the rewards of a \$72,000 check and a priceless embrace from his shy, retiring wife, Deborah — who, with cowboy hat, platinum hair, electric-blue minidress, four turquoise bracelets and 10 red-point tassels, raced through a sand trap to leap into her hubby's arms.

"Baby, I love you," said Deborah Couples.

But that's a little ahead of the story, for however many times Couples lost the Kemper Open on a day when Congressional administered so much of what the pros call BDOTG (brain damage on the greens) that a hundred players headed babbling for TRR (the rubber room), the young singer first won this tournament on the 15th hole when he hit his tee shot long and wrong into the left-side woods.

He banged his second shot off a pine tree. The ball ricocheted backward, landing in the fairway.

From that garden spot, Couples lashed a long iron that flew long, long — and this time there was a report that sounded like a Tilden boom off a manhole cover.

Investigations learned that Couples's errant ball had clanged off the forehead of spectator Bob Hazard, 50, who doffed his Wild Turkey whiskey cap to reveal a dimpled bump growing.

"Thank you very much, sir," said Deborah Couples.

"Didn't even feel it," Hazard said.

"Just wish it would've bonked off me and onto the green instead of in that trap."

By bounding it off one Hazard, though, Couples avoided the greater hazard of again venturing into Congressional's noble pines, where bold explorers report unearthing the bones of uniformates who thought they could find that damned ball and make a par.

As he set up for his third shot, Deborah Couples whispered, "Ricochet off trees, ricochet off Bob's head — now ricochet into the hole."

Alas, Couples needed for a bogey 6. At the time, a bogey seemed disastrous, because the 15th is Congressional's only birdie hole once you pass the 11th.

But in the rarefied atmosphere of a \$400,000 tournament on a course stronger than a walrus's dirty socks, a single shot saved, whether by skill or fortune, can be the shot that lets you live to shoot again — perhaps as one of the gang in a five-way playoff for a championship that everyone wanted to win, but nobody could.

Congressional is 7,173 yards. At daybreak, the devil rose to cut the

holes into the greens. To win under a Sunday's pressure at such distance with such diabolical pin placements, only those whose feet have been to the fire a hundred times can get home in par-72.

Let's say you're Fred Couples, 23, a nonwinner. Or you're one-time winner Scott Simpson, 27. Or you're T.C. Chen, 24, over from Taiwan as a rookie, with a few louts in the crowd cheering your mistakes. "All the pressure beats up on the last few holes," Couples said.

It was warm earlier, too, for these three shot 77, 77 and 76.

Under those circumstances for those men, small victories assume heroic proportions. For Couples, a 330-yard drive on the 18th after a bleeding bogey at the 17th was such a victory. It gave him a wedge to set up a birdie, which he seemed to need to catch Simpson, the leader.

But Couples left the wedge 30 feet short.

"There's the crystal Freddie's going to win for me," Deborah Couples said when she noticed the tournament trophy glistening in the fading sunlight.

Couples's first putt was miserably short, a loser's decelerating stroke, and with Simpson facing a four-foot putt to win, Couples knocked in his four-footer first. "The way things were going, it looked like 10 feet," said Couples. "But it looked like Scott would make his, so there wasn't much pressure."

Not on him, anyway. Four feet from victory, Simpson left the putt to the right of the hole. Simpson said he misread it. Couples said he pushed it.

"Freddie, Freddie," his wife called out. "You can win it! You can win it!" She jumped out.

By then, Congressional had won. The weather was perfect. The course was in beautiful condition. "It's an Open course," Couples said, meaning it is a full examination of a golfer's skill and will. Although he described his work with words such as "struggling" and "choking," Couples considered a 77 a passing grade for a kid learning to win.

The playoff, which also included Gil Morgan and Barry Jaelzel, began at No. 15, where this time Couples had a par, as did three others (Jaelzel exited with a bogey).

And when Couples's 5-iron at the 183-yard par-3 16th described an arc suggesting something wonderful would happen, his fair lady rattled her turquoise necklace as she leaped up to exhort, "Wayago, Freddie, wayago! C'mon, Cup!"

The ball stopped 18 inches from the hole.

"Hey, Mrs. Couples," a voice called out from high in a tree near the 16th green. Word gets around.

She'd been home last week in LaQuinta, California, where she is a teaching tennis pro. She'd watched the Kemper's third round on television Saturday. "Freddie looked different, so determined," she said. "He'd always been carefree before."

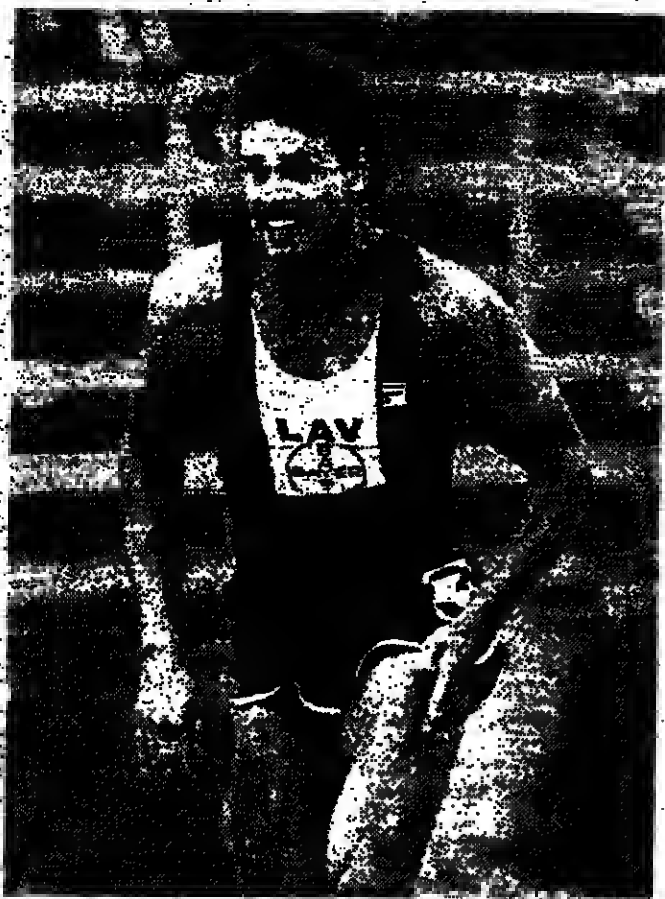


For the Kemper winner, \$72,000 and a priceless embrace.

"So I booked myself a flight and flew all night."

To the voice in the treetop, Deborah Couples turned and gave a thumbs-up sign.

A minute later, when her man tapped in his winning putt, she took hold of her cowboy hat and put herself in high gear.



Decathlete Jürgen Hingsen

Hingsen Sets Record Of 8,777 in Decathlon

By Dave Kindred

BONN — Jürgen Hingsen of West Germany captured the world record in the decathlon at a meet Sunday night in Bernhausen with a total of 8,777 points, breaking Briton Daley Thompson's mark by 34 points.

Hingsen held the record before the Briton broke it last year with a 8,743-point performance.

"It was really just a test," said Hingsen Monday of the qualifying competition for August's world championships in Finland. "I only wanted to see where I stand. I felt fresher after the 1,500 meters — the final discipline — than I have ever felt after a decathlon. I could still do better, particularly in the first-day events."

Hingsen and Thompson have swapped world records twice in 13 months and seem set for an epic showdown in Helsinki. In May 1982, Thompson took the record from another West German, Guido Kratschmer, with 8,704 points.

Hingsen improved on that mark by

19 last August, but held the record for only three weeks before Thompson routed him in the European Championships in Athens.

On Monday, Wolfgang Bergmann, West Germany's national trainer, attributed the disappointing Athens showing to Hingsen's having allowed his world record to go to his head. Bergmann said Hingsen had not trained seriously, and that "that will only happen to Jürgen once — he has become much more disciplined."

On the first day of his Bernhausen decathlon, Hingsen, 25, ran the 100 in 10.92 seconds, long-jumped 7.74 meters (25.52 feet), put the shot 15.94 meters, high-jumped 2.15 meters and ran the 400 in 47.50.

On the second day, he ran the 110 hurdles in 14.11, threw the discus 46.80 meters, pole-vaulted 4.70 meters, threw the javelin 77.26 meters, and ran the 1,500 in 4:19.76. He had personal bests in the javelin and the 110-meter hurdles.

SPORTS BRIEFS

Cosmos Win Soccer Challenge Cup

EAST RUTHERFORD, New Jersey (AP) — Julio César Romero scored one goal and had two assists as the Cosmos scored a 4-1 victory over the Seattle Sounders Sunday and won soccer's Trans-Atlantic Challenge Cup.

In the first game of the final day of the doubleheader, Fiorentina of Italy defeated San Paolo, 5-3; the winners' Giancarlo Antognoni and Daniel Bertoni each had a goal and two assists.

The Cosmos and Fiorentina finished the round-robin competition with 2-1 records, but the Cosmos won the title on goal differential. It was the second TACC crown for the Cosmos, who have played in the tournament since its inception in 1980.

Woman Marathoner Sets Standard

LOS ANGELES (AP) — Julie Brown of the United States clocked an all-time best of 2 hours, 26 minutes, 24 seconds for a runner in an all-women marathon here Sunday.

Leading from the start along the course that will be used in next year's Olympics, Brown finished a half-mile ahead of Christa Vahlensieck of West Germany (2:33:22). Marianne Dickerson of the United States was third (2:33:44). The world marathon record for women is held by Joan Benoit, who ran a 2:22:42 in the 1983 Boston Marathon.

Los Angeles Nips Arizona in USFL

LOS ANGELES (AP) — Quarterback Tom Ramsey, in his professional debut, hit Jojo Townsend on a 26-yard scoring pass with 2:38 left to give the Los Angeles Express a 17-13 United States Football League victory over the Arizona Wranglers here Sunday. Relieving starter Mike Rice in the second half, Ramsey completed 11 of 14 passes for 101 yards.

In Tampa, Florida, Jimmy Jordan passed for 223 yards and four touchdowns and Gary Anderson rushed for 146 yards on 16 carries in leading Tampa Bay to a 45-17 rout of Birmingham.

And in Philadelphia, Chuck Fusina's three second-half TD passes rallied Philadelphia from a 14-9 halftime deficit to a 29-20 victory over Michigan.

Redskins' Dean Jumps to USFL

Combined Dispatches

WASHINGTON — Guard Fred Dean has jumped from the National Football League to the new United States Football League.

The first member of the Super Bowl championship team to jump to the new league, Dean signed a three-year contract Sunday with the Tampa Bay Bandits. He is expected to play Sunday at Chicago against the Blitz.

A free agent who spurned a \$120,000 offer from the Redskins, Dean will receive a guaranteed \$400,000 over the life of the three-year pact with the Bandits. "It was a tough decision, but the Bandits offered me a deal I couldn't refuse," said the seven-year NFL veteran.

The Redskins "offered me a contract I didn't think good enough," Dean said. "I asked my attorney to ask around. He did. Here I am." Said the attorney, Spencer Kopf: "Fred was not even considering leaving the NFL until Washington made that offer."

A Redskins since 1978, Dean originally was drafted by Miami in 1977. He played briefly with both Miami and Chicago before landing in Washington.

Transition

BASEBALL

CALIFORNIA—Picked Bruce Kison pitcher on the day displaced by Phil Maffei.

MILWAUKEE—Picked Mark Brouhard, outfielder, from Vancouver of the Pacific Coast League, Oakland Red Sox, outfielder, to Vancouver.

NATIONAL LEAGUE

CHICAGO—Activated Dickie Noles, pitcher, and designated Phil Maffei, pitcher, for waivers from Chicago.

ST. LOUIS—Placed Jeff Lahti, pitcher, on the 60-day disabled list retroactive to May 21. Recalled Kevin Humes, pitcher, from Louisville of the American Association.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

PHILADELPHIA—Placed Ted Sater, pitcher, on the 60-day disabled list.

LOUISIANA—Placed the resignation of Bill Baker Sr., player personnel director, as waivers from Chicago.

WASHINGTON—Placed Cal Levy, vice president of marketing and operations, as waivers from Chicago.

